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Socio-Economic Profile of Aboriginal Co-operatives in Canada

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Introduction

This paper is part of a larger research study on the Aboriginal co-operative movement (*A Report on Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth*). The study was initiated by the Canadian Co-operative Association (CCA) and le *Conseil canadien de la coopération* (CCC). The objective of the study was to build knowledge and awareness about the current state and contributions of Aboriginal co-operatives to regional and community development. The present paper has been developed as a background paper for the complete study. It focuses mainly on key measures of socio-economic performance of Aboriginal co-operatives.

Content

The paper is organized as follows: a short description of the data and a discussion on the meaning of an aboriginal co-op are examined in the introductory section. After describing the formation process of Aboriginal co-ops (section 1), a general overview of Aboriginal co-ops is presented (section 2). This section looks at the geographic and sectoral distribution of Aboriginal co-ops, as well as the profile of a typical Aboriginal co-op. The way Aboriginal co-ops are organized (within their federations) is examined in the third section. A comprehensive trend analysis (1993-1997) follows (section 4), where major social and economic variables are reviewed. Since the core of Aboriginal co-ops is made up of consumer co-ops, section 5 is dedicated to consumer co-ops. Whenever possible, comparison with both the Canadian consumer co-ops and the retail sector is carried out to give the reader an idea of the relative performance of Aboriginal consumer co-ops. There is a large concentration of Aboriginal co-ops in the Northwest Territories and Nunavut. In section 6, we examine some of the socio-economic variables of Aboriginal co-ops in these two Territories. Lastly (section 7), we put forward the shortcomings of this paper and provide some ideas about future research in this field.

Methodology

The Co-operatives Secretariat relies on its own database to conduct studies on Canadian co-operatives, hereafter co-ops.

Every year, the Co-operatives Secretariat administers a survey questionnaire directed to Canadian co-operatives. The provincial registrar sends the list of co-ops to the Secretariat. This list contains all the co-ops that were in business during the previous year, in addition to any new incorporations. Some entities, that are organized like co-ops but not incorporated as such, are not considered co-ops by the Secretariat¹, and hence are not asked to complete a questionnaire.

The questionnaire is a condensed version of the annual report of the co-ops. It contains three parts: the first part retrieves information about the sales and/or services. The classification of sales refers to several predefined categories such as fish, grain, food products, eggs, etc. The second part is the statement of income (revenues and expenses), while the third part reproduces the balance sheet (assets and liabilities). Two non-financial variables are the status of the membership (active and total) and the employees (part time and full time)².

The Annual Survey of Canadian Co-operatives (ASCC) started in the 1930s. Since 1984, the data gathered from the ASCC have been available in electronic format. Therefore, most of the studies undertaken by the Secretariat do not use data prior to 1984.

Definition of an Aboriginal co-op

The department of Indian and Northern Affairs Canada defines the Aboriginal peoples as "the descendants of the original inhabitants of North America". The Canadian constitution recognizes three groups of Aboriginal people – Indians, Métis people and Inuit (Inuvialuit are part of the Inuit people who live in the Western Arctic).

To select and study Aboriginal co-ops, one must have a clear definition. The Secretariat analyzed several definitions but no formal one was retained. The definitions focused either on ownership, communities, or management. The ownership definition was similar to the one adopted by Aboriginal Business Canada (ABC)³ that defines an Aboriginal business as one that has 50%+1

¹ Secretariat will refer to the Co-operatives Secretariat.

² A copy of the survey questionnaire can be obtained from the Co-operatives Secretariat (e-mail: coops@em.agr.ca; telephone: 613-759-7198).

³ ABC is a federal government organization (part of the Industry Department) that promotes Aboriginal businesses.

Aboriginal ownership. Since owners of a co-op are the members, this definition means 50%+1 Aboriginal members. Another definition focused on the community: if the co-op serves an Aboriginal community, that co-op could be labeled an Aboriginal co-op. There was however no specification as to the level of involvement in the community. A third definition put forward the power of the decision process. If management is primarily of native origin, then the co-op could be termed Aboriginal. Here also, there was no consensus as to the level of management or the proportion of Aboriginal managers.

ABC's definition that focuses on ownership seemed adequate since it is more precise than the other two. But it was impossible to implement because the Secretariat does not collect information on the ethnic origin of the members. Instead, the Secretariat used its broad knowledge of the co-op sector to select Aboriginal co-ops. The selection was based on the Aboriginal location of the co-op. Since Aboriginal co-ops are generally used by the members of the community, the definition is community oriented. No proportion numbers (e.g. the percentage of Aboriginal people in the community that are using the co-op) were taken into account in this definition, that could therefore be described as *ad hoc*. To reinforce the selection method, the Secretariat sent the list of Aboriginal co-ops to the appropriate provincial authorities for verification. There were very few corrections to the list and the Secretariat was able to proceed.

1. Formation of Aboriginal Co-ops and Regional Context

In the first part of this section we analyze the evolution in the number of incorporations of co-ops, with special emphasis on NWT. The second part concerns the particularities of co-ops located in the north versus the south.

1.1 Formation of Aboriginal co-ops

In 1997, only 77 Aboriginal co-ops responded to the Annual Survey of Canadian Co-operatives (ASCC), a response rate of about 58.3%. Even though

this rate seems high compared to surveys in general, it is nonetheless relatively low when it is compared to the general response rate of the ASCC administered by the Co-operatives Secretariat, which is about 75%. The Arctic Co-operatives Ltd.

(ACL) was very helpful to the

Secretariat, providing it with all the annual reports of its member co-operatives. Each year, the government of Quebec sends the necessary data to the ASCC about co-ops incorporated in Quebec. Consequently, Quebec and the NWT are very well represented in the database on Aboriginal co-operatives.

The first Aboriginal co-op was incorporated in 1945 in Saskatchewan, doing business in the fish sector⁴. Since the 1950s, the number of incorporations increased steadily until the 1990s (see Figure 1.2), when the number dropped from 70 (in the 1980s)

Figure 1.1 Number of Aboriginal Co-ops Responding to the ASCC

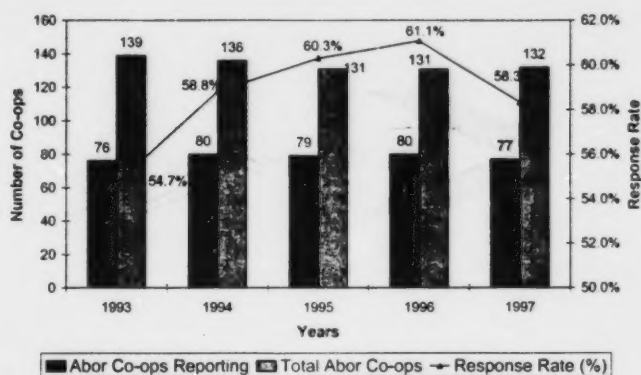
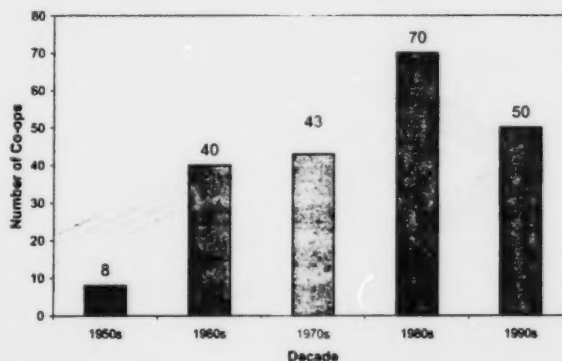


Figure 1.2 Number of Incorporations of Aboriginal Co-ops



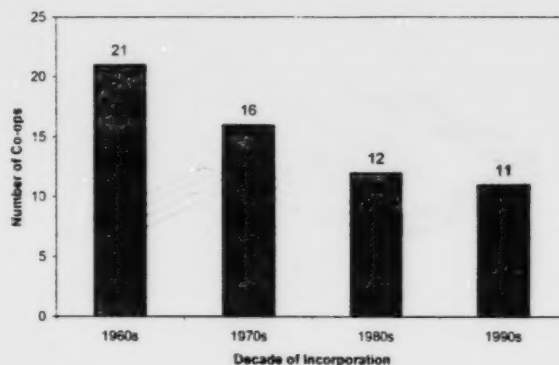
⁴ Since this co-op is the only one that existed in the 1940s it is accounted for in the 1950s in figure 1.2.

to 50 incorporations (in the 1990s).

This pattern of incorporations was not matched in the NWT⁵, where the big wave of incorporations happened in the 1960s. It seems that the pattern in the NWT is the opposite. Co-ops were very popular in the NWT due to specific programs targeted at northern regions in the 1960s (and to a lesser extent, in the 1970s). While Aboriginal co-ops in general seem to

raise less interest in the 1990s, it is not the case for NWT Aboriginal co-ops, where the interest is still present: there was no apparent change in the number of incorporations between the 1980s and the 1990s.

Figure 1.3 Number of Incorporations of Aboriginal Co-ops in the NWT



The newly formed co-ops (i.e. 50 incorporations in the 1990s) are mainly concentrated in the handicraft and arts sector (10 new co-ops), the consumer retail sector (8 new co-ops), the feeder sector (5 new co-ops), and the housing sector (5 new co-ops). Other new co-ops were in the service sector, such as health and recreation. It is not surprising to find very few marketing co-ops, since these are often synonymous with agricultural co-ops. By comparison, at the Canadian level, the newly formed (small) businesses are concentrated in the retail sector (19.8%), the business services (18.5%) and the computer services (17.2%)⁶.

Aboriginal peoples are less likely to own a (traditional) business than other Canadians (Table 1.1). There is about 27% more owners (per 100 000 inhabitants) within the Canadian population than within the Aboriginal community. But Aboriginal co-ops are relatively (i.e. compared to Aboriginal population) more common than other co-ops (everything else being equal): for every 100 000 people, there are about 10% (or 3) more Aboriginal co-ops than other co-ops. This result

⁵ The NWT Included the territory of Nunavut before March 1999.

⁶ These data are extracted from the GDSourcing's 1998 Survey of New Small Business Intentions.

<http://www.gdsourcing.com/1998Survey.htm>.

is even more striking when we look at Aboriginal co-ops in the NWT⁷. In the NWT, the number of co-ops (serving 100,000 Aboriginal population) is four times (i.e. 140/35) higher than that of the Aboriginal co-ops in all Canada. This result explains the importance of co-ops to northern communities in general and to the NWT in particular.

Table 1.1 Number of Canadian Owned Corporations Serving Canadians and Aboriginal Communities⁸

Region and Type of Corporation	Number of Non-Financial Corporations per 100,000 Inhabitants ^c
Canada – All Businesses (per 100,000 Canadians) ^a	6600
Canada – All Aboriginal Businesses (per 100,000 Aboriginal Canadians) ^a	4800
Canada – All Incorporated Businesses (per 100,000 Canadians) ^a	2240
Canada – All Co-ops (per 100,000 Canadians) ^b	32
Canada – Incorporated Aboriginal Businesses (per 100,000 Aboriginal Canadians) ^a	1300
Canada – All Aboriginal Co-ops (per 100,000 Aboriginal Canadians) ^b	35
NWT – All Aboriginal Co-ops (per 100,000 NWT Aboriginal Inhabitants) ^b	140

Source: Annual Survey of Canadian Co-operatives (Co-operatives Secretariat, Canada); Caldwell D. and P. Hunt (1998); Governments of NWT and Nunavut (Internet Statistics).

a: 1991

b: 1996

c: Only those that are 15 years of age or older are taken into account.

1.2 Aboriginal Co-ops in a Regional Context

Historically, co-ops in the north have always had achieved a good reputation with local people and with all levels of government. There is no doubt today that co-ops are a driving force in the northern economy. In the south the situation is different. Due to the lack of awareness and knowledge of the co-op model, southern Aboriginal people and decision-makers do not necessarily consider the co-op approach when seeking a sustainable tool for their economic development and independence.

⁷ NWT will refer to North West Territories in the remainder of the document. It includes what is now known as Nunavut, because the study period (1993-1997) was prior to the creation year of this new territory (1999).

⁸ These numbers concern the number of Canadian owners; it is assumed that one corporation is owned by one person; this is especially true for the Aboriginal population, since 76% of the businesses are sole proprietor.

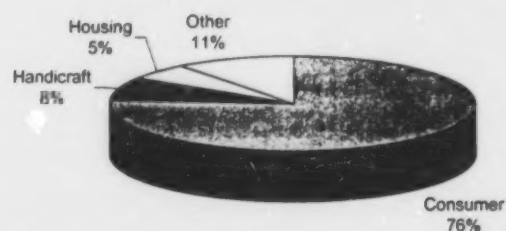
Table 1.2 Comparison between Northern and Southern Aboriginal Co-ops, 1997

	Northern co-ops	Southern co-ops	Total co-ops
Number of all co-ops	75	57	132
Number of co-ops reporting	52	25	77
Number of members	19,366	4790	24,156
Number of full-time employees	843	165	1,008
Volume of business (\$ million)	224	25	249
Total assets (\$ million)	166	22	188

The number of co-ops in the north was higher than in the south and the average northern co-op was larger (\$4.3 million volume of business) than the southern co-op (\$1.0 million volume of business). The average northern co-op employed more full-time workers (16.2) than the southern co-op (6.6); this was expected since the average northern co-op is larger. The amount of assets for the average northern co-op is higher (\$3.2 million) than the southern co-op (\$880,000). Members are more numerous in the northern co-op (372 per co-op) than in the southern co-op (192 per co-op).

Northern communities have long used the co-op model for their daily needs. They purchase not only food and dry goods from the co-op, but also use the co-op for various services such as transportation (taxi) and cable distribution. All these goods and services are usually provided by local consumer co-ops. On the other hand individual co-ops in southern Aboriginal communities tend to be specific rather than multifaceted.

Figure 1.4 Main Activities of All Northern Aboriginal Co-ops - 1997

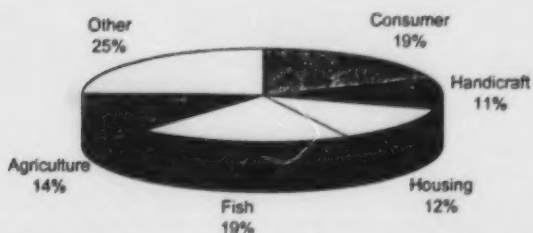


The mix of activities of northern and southern co-ops is different. While northern co-ops are concentrated primarily in the consumer sector (76% of all co-ops), southern co-ops tend to be more diversified and can be found in several sectors such as consumer (19%), fish (19%), agriculture (14%), housing (12%) and handicraft (11%).

The dichotomous structure of activities can be explained by the magnitude of market demand. Because market demand for a specific line of products is very low in the north, consumer co-ops have adjusted and offer a multitude of products. This adjustment was necessary for them in order to cover their fixed costs. Market demand in the south is larger due to a larger population. Also,

total costs are not so high in the south because transportation and storage costs are lower than in northern parts. Consequently, southern co-ops do not have to carry a multitude of products and can survive with only one or two product lines (food or fish or taxi, etc.). Therefore, there exists in the south a more diversified selection of co-ops that are individually more specialized.

Figure 1.5 Main Activities of All Southern Aboriginal Co-ops - 1997



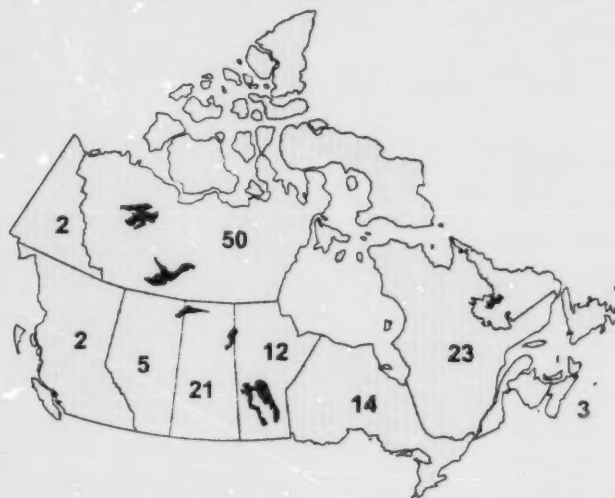
2. A Glance at Aboriginal Co-ops

In section 2 we provide a general overview of Aboriginal co-ops. First, this section discusses the geographic locations of Aboriginal co-ops and their type of business. Then, it reviews the sectoral distribution of Aboriginal co-ops. The section ends with a profile of a typical Aboriginal co-op.

2.1 Location and type of business of Aboriginal co-ops

The majority of Aboriginal co-ops are located in NWT and Québec. The NWT are the preferred location of Aboriginal co-ops, because of the large proportion of people of Aboriginal descent. Almost 38% of the Aboriginal co-ops are incorporated in the NWT. More than 17% of Aboriginal co-ops are located in Québec. More than one third of Aboriginal co-ops are located in Saskatchewan, Manitoba and Ontario. The Atlantic Provinces have very few Aboriginal co-ops. We are not aware of any Aboriginal co-op in New Brunswick and Prince Edward Island, but this absence could be a data problem (especially in New Brunswick).

Figure 2.1 Number of Aboriginal Co-ops in Canada, 2000



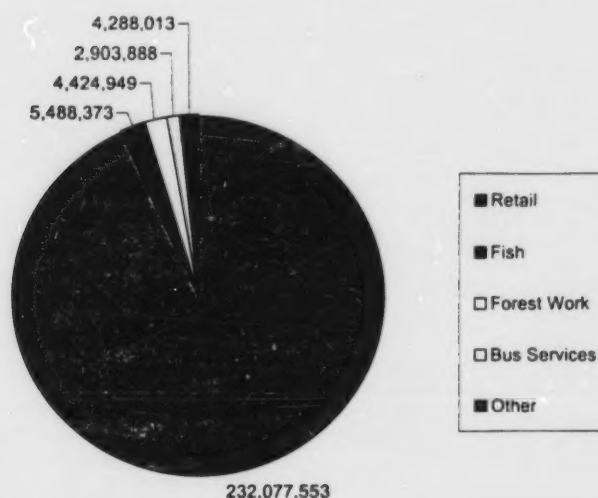
Retail co-ops (mainly grocery stores) dominate the co-op sector, with an estimated volume of business of more than \$230 million (Figure 2.2). The fish sector is far behind with only about \$5.5 million; co-ops that are related to forest work have a volume of business close to \$4.5 million. The volume of business from "Bus Services" is in fact related to only one co-op in Alberta running a school bus service. Let us mention that a very big part of its volume of business comes from government premiums and subsidies.

2.2 Sectoral distribution of Aboriginal co-ops and Businesses

The sector distribution of Aboriginal co-ops has remained the same over the five-year period (1993-1997). Most of the co-ops are still present in the consumer sector, while other sectors such as fish, rural electric and housing have only a few co-ops.

This sectoral asymmetry is historic and goes back to the times when the Aboriginal peoples decided to organize themselves (through Arctic Co-operatives Ltd., or ACL, and la Fédération des coopératives du Nouveau-Québec, or FCNQ) to increase their purchasing power for the basic goods. More competition resulted from the formation of consumer co-ops. The goal of these co-operatives was to use the two federations (ACL and FCNQ) as suppliers to local co-ops, so they could benefit from the economies of scale and thus lower their costs. Local Aboriginal co-ops are still very active in the consumer sector because of two reasons: first, the level of income of the Aboriginal population is still low and the need to satisfy the basic necessities consists of a big proportion of their disposable income. Second, some of these consumer co-ops are multifaceted co-ops and supply not only food, but also handicraft products, snowmobiles, etc. In recent years (1990s), there was an increasing preference for handicraft and arts products among Aboriginal co-ops, as we observe the majority of the incorporations in the arts and craft sector (see the previous section on the *Formation of Aboriginal Co-ops*). Aboriginal co-ops (like other Aboriginal businesses) tend to choose the art sector because they are looking for niches where they have the "know how" and where there is a growing market demand⁹.

Figure 2.2 Volume of Business of Aboriginal Co-ops by Type, 1997



⁹ The new handicraft (and other) co-ops do not respond to the ASCC, and thus, most of them do not appear in Figure 2.3, *Number of Aboriginal co-ops by type - 1993-1997*.

Figure 2.3 Number of Aboriginal Co-ops by Type - 1993-1997

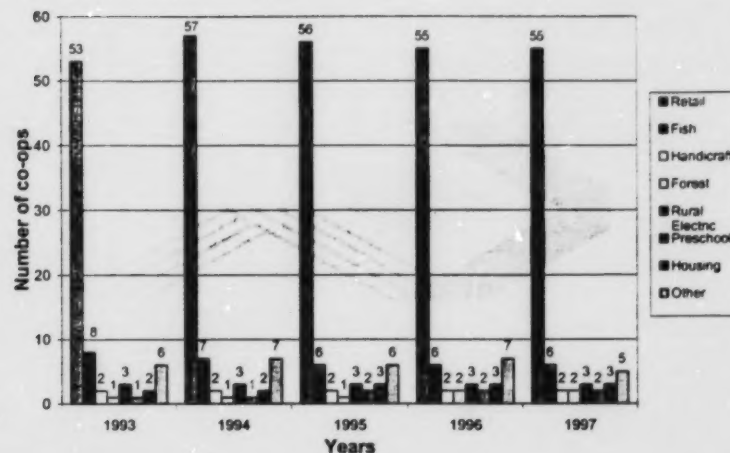


Table 2.1 Sectoral Distribution of Aboriginal Businesses, Aboriginal Co-ops and All Canadian Businesses, in percentage

Sectors	Aboriginal Businesses (1996)	Aboriginal Co-ops (1996)	All Businesses (1997)
Primary	25.3	10.3	08.2
Manufacturing	02.4	02.6	05.9
Construction	27.9	00.0	15.8
Retail	17.6	68.0	06.1
Wholesale	01.9	02.6	15.3
Finance, real estate & business services	05.7	05.1	16.3
Public admin. & related services (health, education...)	01.2	06.4	08.1
Hotel, restaurant	06.8	00.0 ^a	07.1
Other	11.2	05.1	17.2

a: There are 24 hotels and some cafeterias that are the property of local northern co-ops, but these co-ops are still classified in the retail sector because their main activity (more than 50%) belongs to the retail sector.

Source: Caldwell, D. and P. Hunt (1998) and The Co-op Secretariat (co-ops reporting to the ASCC in 1997).

While Aboriginal businesses cover a greater economic sphere (see Table 2.1), Aboriginal co-ops are concentrated in a few sectors only (retail and primary). Aboriginal businesses are still present

in sectors that are more labor intensive, such as the primary and construction sectors. Co-ops follow the same pattern, where the vast majority of them are consumer co-ops that are not capital intensive. One tenth of Aboriginal co-ops are doing business in the primary sector— less than half the proportion of “regular” Aboriginal businesses, where more than one fourth are in the primary sector. But Aboriginal co-ops are still above the national average of 8.2% for all businesses in Canada. Interestingly, in the construction sector there are no Aboriginal co-ops, but the highest percent (27.9%) of Aboriginal businesses – almost double the Canadian average of 15.8%. Even though co-ops are not as numerous in the public services sector as all Canadian businesses, they still have a good representation in that sector: day care and preschool co-ops being the most common ones in this sector, in addition to one health co-op.

Finally, we can say that Aboriginal co-ops do not follow the same sectoral distribution as other businesses in general or Aboriginal businesses in particular. From Table 2.1, we can see that co-ops tend to be concentrated where the demand is highest among the Aboriginal population as a whole (e.g. retail and public service co-ops). The preference given to the satisfaction of community needs stems from the culture of the Aboriginal people, which is directed more toward the well-being of the community rather than the individual.

2.3 Profile of a typical Aboriginal co-op

A typical (average) Aboriginal co-op is located in a rural or remote area 80% of the time.

Table 2.2 Profile of a Typical (Average) Aboriginal Co-op, 1996

Category	Average	Minimum	Maximum	Standard Deviation	95% Confidence Interval
Number of members	274	7	1500	280	212 – 335
Full-time employees	12	1	112	18	8 – 16
Part-time employees	5	1	274	42	0 – 14
Sale of consumer products	2,134,859	0	47,769,794	6,668,947	673,491 – 3,596,228
Volume of business	3,026,578	1,082	53,907,091	7,604,240	1,360,259 – 4,692,898
Salaries and wages	341,677	90	3,031,375	527,307	226,128 – 457,226
Net savings	107,494	-220,497	1,502,898	235,264	55,941 – 159,048
Total assets	2,252,118	2,246	33,067,396	4,536,437	1,258,048 – 3,346,190
Current assets	1,032,873	2,245	18,104,845	2,504,954	483,962 – 1,581,785
Current liabilities	626,045	110	16,069,034	1,845,586	221,621 – 1,030,469
Members' equity	1,116,050	-78,127	18,349,147	2,774,123	508,156 – 1,723,945

It employs 12 full-time and 5 part-time employees that it pays almost \$350,000. It generates over \$3 million in volume of business and reports annual profits of more than \$100,000. The members' equity is about 50% of the value of the co-op's assets. Two thirds of its sales come from consumer products, the rest is essentially petrol and machinery sales, in addition to fish, handicrafts, forest works, rural electric utilities and housing.

According to the methodology adopted by the Secretariat, a co-op is classified in a specific activity (sector) if more than 50% of the business is done in that activity. Because the vast majority of Aboriginal co-ops are classified in the retail sector, the classification hides the fact that many of them are doing business in other sectors too. For example, Table 2.3 summarizes the diversity of activities that Inuit co-ops are involved in. Very few Inuit co-ops (6 out of 42) do business exclusively in the retail sector. On average, each Inuit co-op has 3.2 activities. Some of the co-ops have as many as seven or eight activities; Grise Fiord Inuit Co-op Ltd. for example is active in eight sectors. These multifaceted co-ops are forced to excel not only in the traditional retail sector, but also in other sectors such as cable and petrol distribution, as well as hotel accommodation and arts and crafts marketing.

Table 2.3 ACTIVITIES OF A SAMPLE OF INUIT CO-OPERATIVES

NO	NAME	LOCATION	MAIN SECTOR	WHOLESALE/ RETAIL	HOTEL/ LODGING	FUEL/ PETROL	CABLE TV	HARDWARE	ARTS & CRAFTS	RENTAL & LEASING	OTHER
1	Arctic Co-ops Ltd.	Winnipeg	Retail	x	x	x	x	x	x		x
2	Akulivik Co-op Ass.	Akulivik	Retail	x	x						
3	Fort Chimo Co-op Ass.	Kuujuaq	Retail	x	x						
4	George River Co-op Ass.	Kangisualuujuaq	Retail	x	x						
5	Great Whale Co-op Ass.	Kuujuaaraapik	Retail	x	x	x		x			
6	Grise Fiord Inuit Co-op Ltd.	Grise Fiord	Retail	x	x	x	x	x	x	x	x
7	Hall Beach Co-op Ass. Ltd.	Hall Beach	Retail	x	x			x	x		
8	Holman Eskimo Co-op Ltd.	Holman	Retail	x	x	x					
9	Iglolik Co-op Ltd.	Iglolik	Retail	x	x		x				x
10	Ikahuk Co-op Ass. Ltd.	Sachs Harbour	Retail	x		x					
11	Ikalutuliak Co-op Ltd.	Cambridge Bay	Retail	x	x	x	x			x	
12	Inukjuak Co-op Ass.	Inukjuak	Retail	x	x	x	x	x			
13	Issatik Eskimo Co-op Ltd.	Whale Cove	Retail	x	x						
14	Ivujivik Co-op Ass.	Ivujivik	Retail	x	x	x		x			
15	Katudgevik Co-op Ass. Ltd.	Coral Harbour	Retail	x	x						
16	Kimik Co-op Ltd.	Kimirut	Retail	x	x						
17	Kissarvik Co-op Ass. Ltd.	Rankin Inlet	Retail	x							
18	Koomiut Co-op Ass. Ltd.	Pelly Bay	Retail	x	x						
19	Kugluktuk Co-op Ltd.	Kugluktuk	Retail	x		x		x			x
20	Mitiq Co-op Ass. Ltd.	Sanikiluaq	Retail	x	x						
21	Naujat Co-op Ltd.	Repulse Bay	Retail	x	x						

ACTIVITES OF A SAMPLE OF INUIT CO-OPERATIVES (CONTINUED)

NO	NAME	LOCATION	MAIN SECTOR	WHOLESALE/ RETAIL	HOTEL/ LODGING	FUEL/ PETROL	CABLE TV	HARDWARE	ARTS & CRAFTS	RENTAL & LEASING	OTHER
22	NWT Co-op Business Dev. Fund	Yellowknife	Finance								X
23	Padlei Co-op Ass. Ltd.	Arviat	Retail	X	X	X	X		X		
24	Paleajook Co-op Hotel-Inns N.	Taloyoak	Food Serv.		X						
25	Paleajook Co-op Ltd.	Taloyoak	Retail	X	X			X			X
26	Pangnirtung Eskimo Co-op Ltd.	Pangnirtung	Retail	X							
27	Payne Bay Co-op Ass.	Kangirsuk	Retail	X	X	X		X			
28	Pitsiulak Co-op Ass. Ltd.	Chesterfield Inlet	Retail	X	X						
29	Puvimittuq Co-op Ass.	Puvimittuq	Retail	X	X	X	X	X	X		
30	Qikiqtaq Co-op Ass. Ltd.	Gjoa Haven	Retail	X	X		X				X
31	Quaqtaq Co-op Ass.	Quaqtaq	Retail	X	X		X	X			
32	Salluit Co-op Ass.	Salluit	Retail	X		X		X			
33	Sannavik Co-op Ass. Ltd.	Baker Lake	Retail	X	X						
34	Tasiujaq Independent Co-op	Tasiujaq	Retail	X		X					
35	Taqqu Co-op Ltd.	Arclic Bay	Retail	X			X				
36	Toonoonik Sahoornik Co-op Ltd.	Pond Inlet	Retail	X	X	X			X		X
37	Tudjaat Co-op Ltd.	Resolute	Retail	X	X						
38	Tulugak Co-op Society Ltd.	Broughton Island	Retail	X	X				X		
39	Umingmakaktok Co-op Ass. Ltd.	Umingmakatok	Retail	X							
40	Umiujaq Co-op Ass.	Umiujaq	Retail	X		X					
41	Wakeham Bay Co-op Ass.	Kangiqsujaq	Retail	X	X			X			
42	West Baffin Eskimo Co-op Ltd.	Cape Dorset	Retail	X				X	X		

Source: <http://inuit.pail.ca>

3. Organization of Aboriginal co-ops

In section 3 we show the dichotomous structure of Aboriginal co-ops (northern and southern co-ops), and present the tools that northern Aboriginal co-ops have been using to cope with their geographic isolation.

3.1 Two Co-op Worlds: North and South?

The majority of Aboriginal co-ops are located in the northern regions of Canada, especially in NWT (and Nunavut) and northern Quebec (Nouveau-Québec). While "southern" co-ops usually belong to Indian (or Métis) people, northern co-ops are the property of Inuit people.

The average "southern" Aboriginal co-op is smaller than its northern peer (\$1 million compared to \$4.3 million of volume of business). Nonetheless, the "southern" co-op is directed toward more profitable operations, as its ratio of net savings to volume of business is double that of the northern co-op (5.1% and 2.5% respectively). The fact that northern co-ops are less profitable is also explained by higher transportation costs, a major component of the costs of all the products "imported" from the south. The "southern" co-op is more service oriented (13.3% of volume of business) than the northern co-op (8.5% of the volume of business). On the other hand, it offers less marketing and supply operations than the northern co-op (see Table 3.1 below). It is interesting to note however that the "southern" co-op employs more part-time workers than the northern co-op, perhaps because the "southern" co-op is seen as a marginal player in the local economy and people are hired only for short periods of time. Whereas in the north, the co-op is always considered as a major economic actor for the communities and people are hired mainly on a full-time basis.

Table 3.1 Some Characteristics of Northern and Southern Aboriginal Co-ops 1997

	Total members	F.T. emp.	P.T. emp.	Volume of business	Service revenues	Total sales	Salaries and wages	Net savings	Total assets	Members equity
Northern Aboriginal Co-ops	19,366	843	71	223,795,749	19,132,592	204,056,741	23,504,546	5,509,757	166,495,194	80,790,938
Southern Aboriginal co-ops	4,790	165	331	25,387,027	3,380,305	17,942,109	4,450,874	1,302,229	21,956,531	8,219,233
	19.8%	16.4%	82.3%	10.2%	15%	8.1%	15.9%	19%	11.7%	9.2%
All Aboriginal co-ops	24,156	1,008	402	249,182,776	22,512,897	221,998,850	27,955,420	6,811,986	188,451,725	89,010,171

The power of Aboriginal co-ops resides in the large number of northern co-ops that have registered more than \$220 million in volume of business (in 1997). Membership in northern co-

ops is also very high: in some communities, the co-op is the major (and sometimes the only) supplier of consumer goods. Northern co-ops are mainly active in the retail sector, but they offer products and services in diverse areas such as hotels, petroleum products distribution, vehicle rentals, taxi, cable distribution, etc.

Northern co-ops have evolved in a similar institutional environment to that of all provinces in Canada. Inuit did not sign a treaty with the Canadian government as the Indians did. In 1954, the government rewrote the Indian Act, clarifying that the Act did not apply to Inuit (Section 4 Part 1). In addition to this, Inuit people have historically used the co-op model as a tool for economic development in their communities. On the other hand, southern Aboriginal co-ops have evolved within a different legal and socio-economic environment, sealed with the Indian Act and other restrictions. In most cases there was no co-op tradition among "southern" Aboriginal people, and setting-up a co-op inside a reserve was not necessarily encouraged by local authorities or governments.

3.2 NWT Co-operatives and the role of Arctic Co-operatives Limited

When people of the North began exploring the concept of formal co-operation¹⁰, they had some unique problems to solve. They had no money, because they were poor and they were using non-monetary transactions. Providing the necessary capital to start a co-op was a real obstacle. The first co-op members produced carvings and gave them to their co-op to sell. The co-op sent the carvings south on returning supply ships once annually. When the co-op eventually received payment for the carvings, the members accepted a very low payment for their work. The co-op kept a large portion of the payment to build up working capital. Buildings were erected by voluntary labour using scrounging discarded materials from DEW-Line dumps. Eventually basic supplies were brought in on summer supply ships and kept on hand for future sale to members. Co-operatives were then providing northern people with a means of control and influence over the cultural, social and economic transition that was taking place in their communities.

As northern co-operatives began to meet the needs of their members, they could see that they could improve the service by working together with other co-operatives. In northern Canada, this dynamic resulted in the formation of Canadian Arctic Producers, the Canadian Arctic Co-operative Federation, the NWT Co-operative Business Development Fund and Tuttavik.

¹⁰ Informal co-operation was always part of the Inuit and Dene people's ways of living: they were practicing the most basic form of economic and social co-operation for thousands of years before the first written form of co-operation existed.

The selling of Inuit art by individual co-operatives was done in the past through personal networks and these networks were often lost when the person moved. Also, art galleries would sell carvings but no promotion was done for this new Canadian art form. It soon became evident that co-operatives needed their own agency to promote and market Inuit art. With the aid of the federal government, Canadian Arctic Producers (CAP) was incorporated in 1965 as a marketing agency, and its headquarters were established in Ottawa¹¹. The greatest achievement of CAP was its promotion of Inuit Art: this form of art was unknown some forty years ago, but it is now recognized worldwide.

In 1972, representatives of 26 co-operatives met in Manitoba. They were concerned by the difficulties they were having in obtaining merchandise for their members. At this time, the only economical means of transportation was the annual summer supply ship, and financing a year's supply of merchandise was a major problem for all co-operatives. Co-operatives were also having difficulties keeping adequate accounting records. It was for these two reasons that the co-ops decided to form a federation. The government of the NWT helped the co-ops by providing \$75,000 to cover the first year of operation of the "new" *Canadian Arctic Co-operatives Federation Limited*, which established its headquarters in Yellowknife.

In November 1982, the Canadian Arctic Co-operative Federation Limited and Canadian Arctic Producers amalgamated to form Arctic Co-operatives Limited (ACL). Duplication of staff and functions in Ottawa and Yellowknife were costing an additional \$500,000 over and above the projected costs of a unified operation in a southern location. In 1985, the amalgamation was complete and the two organizations moved to Winnipeg, Manitoba.

Before 1983, northern co-operatives, like other Aboriginal businesses, were always underfinanced. In 1983, the federal government established the Native Economic Development Program designed to assist Aboriginal people to overcome the inability to obtain conventional business financing. ACL applied for the program, and in 1986 the NWT Co-operative Business Development Fund was incorporated to receive the funds and to be the financial arm of the NWT co-operative movement.

In 1987, ACL and the *Fédération des co-opératives du Nouveau-Québec* incorporated a joint venture called Tuttavik. The role of this new venture was to provide co-ops with a showroom for their members' products in the large southern market. The joint venture was operational for

¹¹ The federal government invested \$480,000 in preferred shares that the co-operatives were required to acquire gradually. Ten years later, the co-operatives gained control of this company, and they immediately voted to reincorporate it as a co-operative.

several years but is now defunct. Nonetheless, there are still showrooms for Inuit arts and crafts in Montreal and Toronto.

Today, Arctic Co-operatives Ltd. (ACL) provides leadership and expertise to 42 member co-operatives in the Northwest Territories and Nunavut. All retail co-operatives in the NWT and Nunavut are members of ACL, but some arts and crafts co-operatives – mostly government initiated and supported – and housing co-ops are not members. The diverse co-op businesses in the NWT (and Nunavut) provide services to their communities in the areas of general retailing, hotels, petroleum delivery, taxi services, commercial and residential rental units, airline ticket agencies, and cable television services. ACL serves its members by providing systems for collective purchasing and distribution, accounting, auditing, marketing of northern crafts and tourism, training and education, operational and technical support, and management advice and support. Arctic Co-ops Ltd. works side by side with the NWT Co-operative Business Development Fund (CBDF).

The Inns North chain of hotels are owned and operated by NWT (Nunavut) co-operative member owners. Inns North operates as a division of Arctic Co-operatives Ltd. and provides management services and a central reservation system for the individual co-ops. There are 24 hotels scattered across the Territories with some offering packages that enable the tourist to discover Canada's natural Arctic region.

3.3 Co-ops in Northern Québec and the role of the Fédération des Co-opératives du Nouveau-Québec

At the end of the 1940s, there was a dramatic decline in the fur market (especially fox). This decline forced the Aboriginal people to search for alternative ways to overcome their poverty. The federal department of Indian Affairs helped them overcome their distress by buying their soapstone sculptures. This was the beginning of the Inuit carvings at a larger scale: because there was a large soapstone deposit in Povungnituk, the inhabitants of that region were making more sculptures. They were also looking for ways to keep a larger part of the proceeds for themselves. With the efforts of Father A. P. Steinman¹² and help from the co-operative movement in Quebec, and the government of the province of Quebec, l'Association des sculpteurs de Povungnituk was created in 1958. Its objective was to market directly the members' products (Inuit art), thus reducing the number of intermediaries between the artists and the buyers. This association was transformed into a co-op in 1960, with the help of the Quebec government and *la Fédération des*

¹² Father Steinman was a missionary in the Arctic region since 1937.

caisses populaires Desjardins. The new co-op, *l'Association co-opérative de Povungnituk* was the second co-op in northern Quebec.

The first Eskimo co-operative in Canada was formed by the Inuit of Kangirsualujuaq (George River) in 1959. They obtained a loan of \$12,500 from the federal government, which was used to buy fishing equipment. In addition to the co-operative in Povungnituk, other co-ops were formed within two years in Fort Chimo, Payne Bay, Port Burwell (NWT) and Great Whale River. The federal government provided guidance for these co-ops (excepting the co-op in Povungnituk), during their early years.

In order to coordinate their efforts, five co-ops in five regions of Nouveau-Quebec (Port-Nouveau-Quebec, Povungnituk, Kuujjuaq, Poste-de-la-Baleine, Payne Bay) were helped by *le Conseil Canadien de la Coopération*, the government of Quebec and the Desjardins movement to form a federation. On May 20 1967, *la Fédération des co-opératives du Nouveau-Quebec* was incorporated and its headquarters were established in Lévis near Québec City, but moved to Ville St. Laurent (near Montreal) a few years later, and then to Baie-D'Urfé (on the island of Montreal).

Today, *la Fédération des co-opératives du Nouveau-Québec* delivers numerous services to its members, such as: coordination (guidance to members); audit and accounting; retail store development (training, management and purchasing); tourism development (marketing and development for tourist facilities for members and non-members); marketing (for Inuit art, furs, feather, eiderdown, and fish); co-operative development (co-op loans program, translation, fire relief fund); petroleum distribution (to communities); technical assistance (planning and construction of buildings and facilities for members); and material handling (receipts and shipments of goods to co-op members).

Table 3.2 Operating Costs and Source of Operational Funds

LA FÉDÉRATION DES COOPÉRATIVES DU NOUVEAU-QUÉBEC

Year	Cost of operation	Income	Surplus before returns	Operating grants			
				Co-ops %	Que. Govt. %	Fed. Govt. %	Other %
1967 - 68	114,000	114,000	0	39.00	61.00	0.00	0.00
1968 - 69	199,000	209,000	10,000	41.00	40.00	15.00	4.00
1969 - 70	260,000	259,000	(1,000)	53.00	27.00	19.00	1.00
1970 - 71	341,000	337,000	(4,000)	68.00	21.00	11.00	0.00
1971 - 72	404,000	397,000	(7,000)	68.00	23.00	9.00	0.00
1972 - 73	387,000	413,000	26,000	82.00	18.00	0.00	0.00
1973 - 74	427,000	484,000	57,000	97.00	3.00	0.00	0.00
1974 - 75	552,000	595,000	43,000	97.00	3.00	0.00	0.00
1975 - 76	738,000	706,000	(32,000)	94.00	3.00	3.00	0.00
1976 - 77	859,000	820,000	(39,000)	95.00	2.00	3.00	0.00
1977 - 78	1,095,000	1,095,000	0	75.00	4.00	21.00	0.00
1978 - 79	1,472,000	1,369,000	(103,000)	74.00	4.00	22.00	0.00
1979 - 80	1,502,000	1,571,000	69,000	85.00	2.00	13.00	0.00
1980 - 81	1,615,000	1,667,000	52,000	87.00	2.00	11.00	0.00
1981 - 82	2,097,000	2,307,000	210,000	92.00	2.00	6.00	0.00
1982	2,179,000	2,369,000	190,000	98.00	2.00	0.00	0.00
1983	2,484,200	2,515,400	31,200	97.00	1.00	2.00	0.00
1984	2,506,300	2,732,100	225,800	96.00	0.00	4.00	0.00
1985	3,176,900	3,182,800	5,900	98.80	0.20	1.00	0.00
1986	3,325,700	3,404,900	79,200	95.60	0.40	4.00	0.00
1987	4,041,800	4,204,100	162,300	99.40	0.00	0.60	0.00
1988	4,430,700	4,981,000	550,300	99.30	0.00	0.70	0.00
1989	5,174,000	5,907,400	733,400	99.40	0.00	0.60	0.00
1990	5,533,900	6,161,900	628,000	99.40	0.00	0.60	0.00
1991	5,349,500	6,031,100	681,600	99.60	0.00	0.40	0.00
1992	5,330,900	5,867,000	536,100	99.70	0.00	0.30	0.00
1993	5,375,100	5,967,000	591,900	98.80	0.00	1.20	0.00
1994	5,078,600	6,244,600	1,166,000	97.70	0.00	2.30	0.00
1995	5,107,500	6,461,400	1,353,900	99.54	0.00	0.46	0.00
1996	5,814,800	7,082,500	1,267,700	98.10	0.00	1.90	0.00
1997	6,038,900	7,383,800	1,344,900	99.73	0.00	1.28	0.00
1998	6,033,200	7,523,500	1,490,300	99.73	0.00	0.00	0.27
1999	6,951,600	9,229,200	2,277,600	99.73	0.00	0.00	1.08
Totals	95,994,600	109,501,700	13,597,100	97.22	0.76	2.04	0.12

Source: La Fédération des co-opératives du Nouveau-Québec: Growing with co-ops. January 2000.

Both the Federal and Provincial Governments have provided valuable assistance to the Federation and the co-operatives, especially in the early days of formation.

In addition to assisting in the formation of the Federation, the Government of Quebec has made long term loans to the Federation and the co-operatives at low interest rates. In the fall of 1980, the Quebec government sold its oil supply operation to the Federation at very advantageous terms. In addition to guaranteeing loans required by the co-operatives for the yearly sealift, the federal government has provided substantial grants to the Federation and the co-operatives. These grants were used to provide working capital, to pay for operation costs, and to pay for special educational or developmental programs.

The summary presented in Table 3.2 shows the amount of government and co-op assistance provided to the Federation. The Federation and its member cooperatives have contributed over 97% of the Federation's total income over the past thirty years. This income comes to the Federation in the form of grants based on the sales and other income of the cooperatives, and from the business activities conducted by the Federation. Surpluses are returned to the cooperatives in the form of Federation share capital. Note that, while both governments were very helpful in the early years of the Federation, the federal government was more concerned with the Federation from 1977 to 1981 (Table 3.2).

4. Trend Analysis of Aboriginal Co-ops

In this section, we analyze how some of the main variables have evolved during the period 1993 – 1997. These include membership, categories of sales, employment and salaries, and some financial indicators.

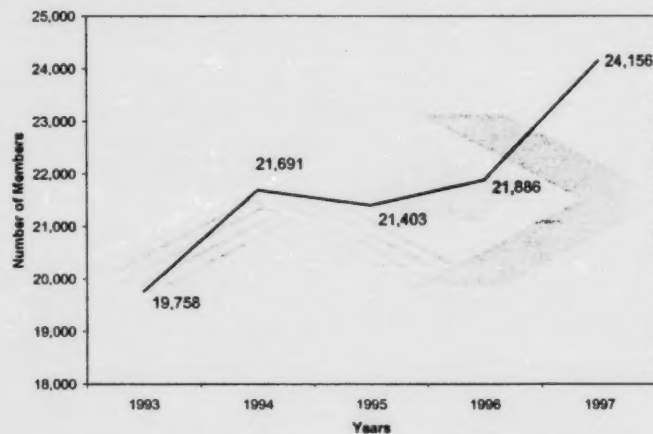
4.1 Membership

Membership of Aboriginal co-ops increased between 1993 and 1994: this is primarily due to more co-ops reporting to the ASCC (see Figure 1.1). The total number of members remained the same between 1994 and 1996, where the number of reporting co-ops remained relatively constant. The big surprise came in 1997, when there was an

increase in the membership, despite a decreasing number of reporting co-ops. The major gain in membership was in the retail sector, where the total membership increased from 18,876 to 21,547 (between 1996 and 1997 respectively), a difference of 2,671. The fish sector lost about one third of its members (501 less) and the forest sector gained more than half of its membership (35 more).

Finally, let us mention that the survey administered by the Co-operatives Secretariat does not specify the ethnic origin of the members: we do not know the proportion of members of Aboriginal descent. We can expect however, that the majority of the membership in northern co-ops is Aboriginal. The situation in the south is not as clear, where non-Aboriginal populations may use the services of Aboriginal co-ops and may become part of the membership.

Figure 4.1 Total Members of Aboriginal Co-ops



4.2 Sales Growth

In this section, we study growth in several categories of sales, such as services, marketing and processing, and consumer products. The volume of business is also analyzed in this section.

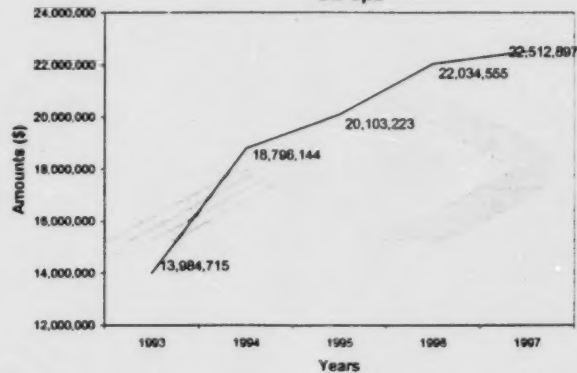
4.2.1 Service Revenues

Services that Aboriginal co-ops offer their members are diverse, providing electricity, childcare, housing, cafeteria, and financial and other services.

The value of service revenues increased steadily since 1993.

There was a big jump in revenues between 1993 and 1994 (Figure 4.2), due to a larger number of co-ops reporting to the ASCC in 1994.

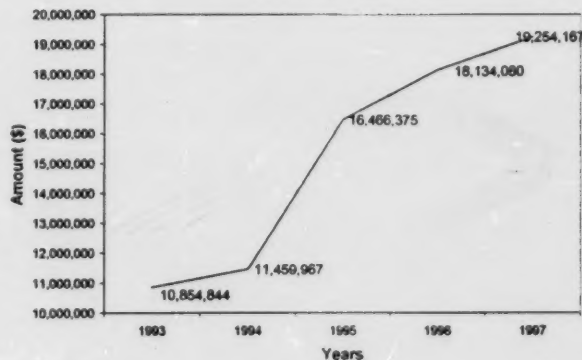
Figure 4.2 Total Service Revenues of Aboriginal Co-ops



4.2.2 Marketing and Processing Sales

Marketing sales of Aboriginal co-ops are concentrated basically in the fish, handicraft, and forest sectors. According to Figure 4.3, there was a big increase in marketing sales between 1994 and 1995, due to larger volume of fish and forest product sales in 1995.

Figure 4.3 Total Marketing and Processing Sales



After 1995, the growth in marketing sales remained steady. Nonetheless, if we compare sales in 1993 and 1997, we must acknowledge that marketing sales almost doubled in this five-year period.

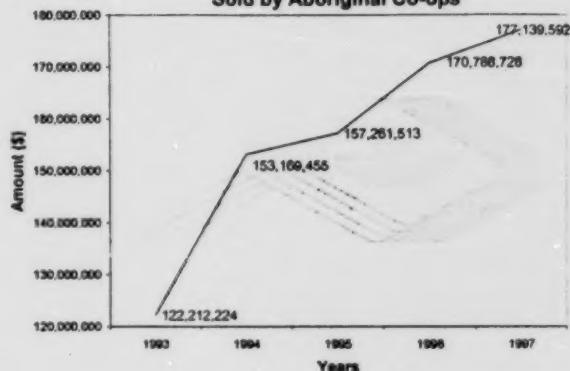
4.2.3 Consumer Products Sales

The vast majority of consumer product sales consists of grocery stores selling food products and hardware.

Between 1993 and 1994, sales of consumer products increased by more than \$30 million. This increase was explained by the good financial health of consumer

co-ops; almost three quarters of them registered an increase in their sales. Three co-ops shared more than a \$20 million increase in sales (two thirds of the total increase). On the contrary, among the co-ops that registered a decline in sales, no one incurred a decline of more than \$300,000. After 1994, sales continued to increase at a smoother pace.

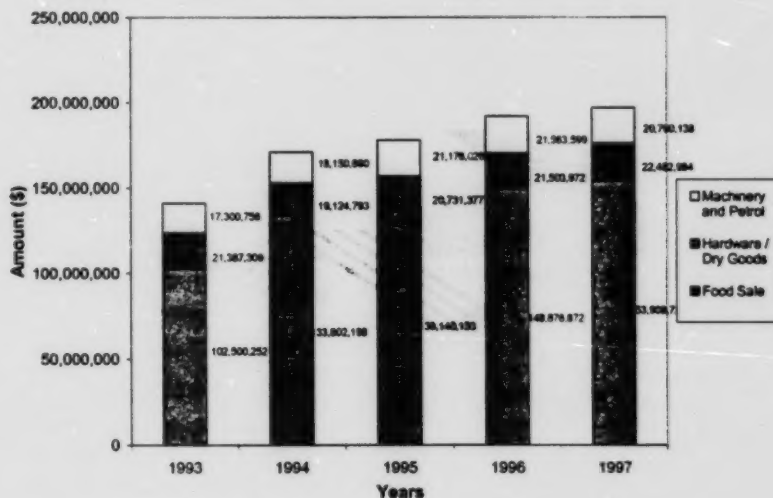
Figure 4.4 Consumer Products Sold by Aboriginal Co-ops



Consumer products are comprised of food products and hardware. About 88% of consumer products consist of food products and only about 12% concern hardware goods. Since Aboriginal populations have a low disposable income, food takes a large part of the budget of Aboriginal households.

Supply sales of Aboriginal co-ops comprise consumer

Figure 4.5 Supply Sale by Category

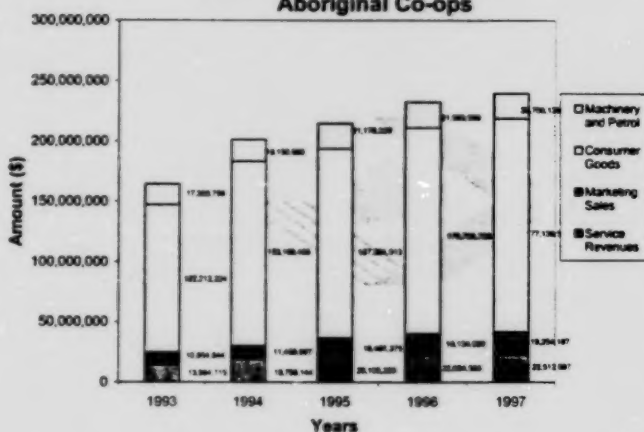


products (basically food and hardware), machinery and petrol sale (Figure 4.5). Only about 10% of sales consist of "non consumer" products (i.e. machinery and petrol¹²).

4.2.4 Sale Categories of Aboriginal Co-ops

Of the four categories of sales depicted in figure 4.6, one dominates co-op activity. Consumer products represent about three-quarters of all sales of Aboriginal co-ops. The other categories (i.e. marketing, services and machinery & petrol) share the remaining 25% with about the same amount for each category. This pattern has not changed over the five-year period).

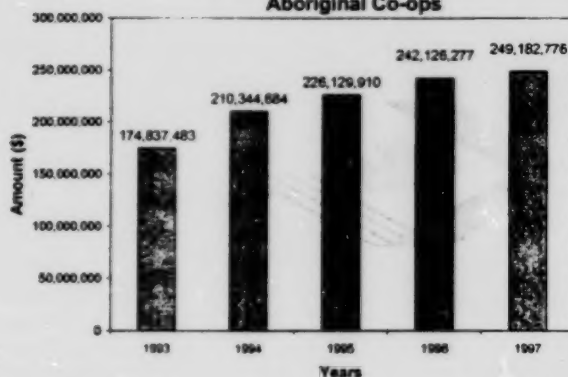
Figure 4.6 Categories of Sales for Aboriginal Co-ops



4.2.5 Volume of Business

Volume of business is defined as the total of all sales (i.e. from services, marketing and supply). It also includes any other revenue accruing to the co-op, including income from patronage dividends and rebates, rent, interest and dividends, and government premiums and subsidies.

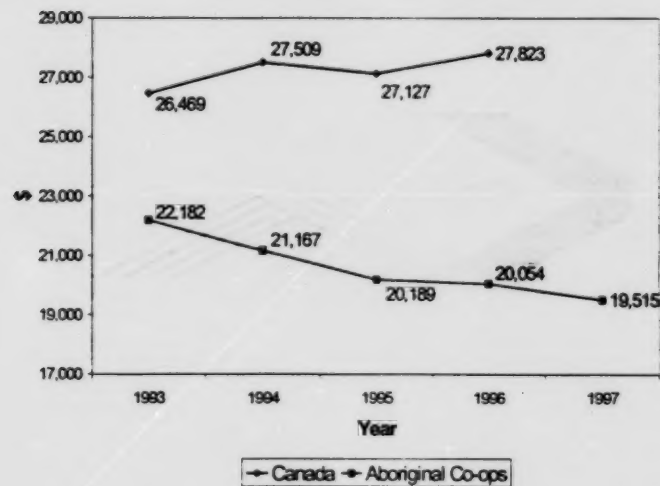
Figure 4.7 Volume of Business of Aboriginal Co-ops



¹² In fact, about 50% of petroleum products are directed toward consumer needs; hence, the proportion of non-consumer products is less than 10% of the value of supply sales.

The volume of business of Aboriginal co-ops has been continuously increasing since 1993 – from \$175 million to \$250 million in 1997, for a compounded annual average growth rate (CAAGR) of 9.26%. Aboriginal co-ops were doing slightly better than the other non-financial co-ops (CAAGR of volume of business of 8.64%) between 1993 and 1997.

Figure 4.8 Average Earnings in Constant (1996=100) Dollars, Canada and Aboriginal Co-ops

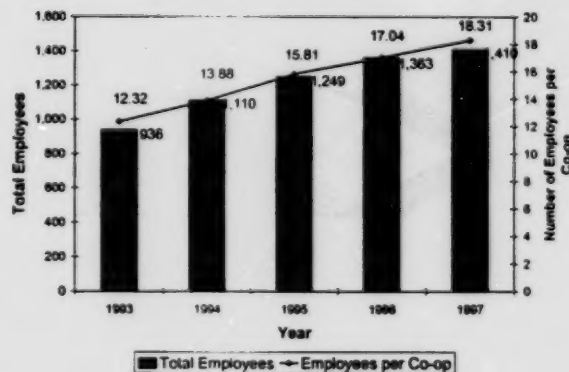


4.3 Employment and Salaries

Employment is one characteristic that makes co-ops stable employers. Co-ops tend to keep employees and increase the total number, even during hard times¹³.

Figure 4.9 shows the growth

Figure 4.9 Total and Average Number of Employees in Aboriginal Co-ops



¹³ Co-operatives Secretariat: Co-operatives, the Alternative Solution. 4p. 1999.

in employment between 1993 and 1997. Total employment (full-time and part-time) increased at about the same pace as the average number of employees per co-op. The average co-op employed about 12 workers in 1993. It added 6 additional workers in the five-year period (1993 to 1997), about a 50% increase in the labor force of the average co-op. In 1996, eighty Aboriginal co-ops employed 979 full-time employees, which is equivalent to an average of 12.2 employees per co-op. The same year, the average Aboriginal business employed only 2.6 full-time employees¹⁴. This fact explains the commitment of Aboriginal co-ops to the workers, who are often part of the community.

**Table 4.1 Distribution of the Percentage of Aboriginal Organizations
Using Full-time Employees, 1996**

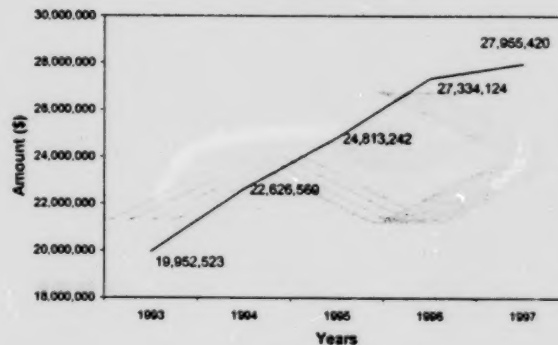
Size of Business	Percent of Aboriginal businesses (%)	Percent of Aboriginal co-ops (%)
No full-time employee	54	15.00
1 full-time employee	22	5.00
2-4 full-time employees	16	12.50
5-9 full-time employees	7	23.75
10-19 full-time employees	1	27.50
20 + full-time employees	1	16.25
Total	100	100

We see from table 4.1 that the two distributions show opposite patterns. The distribution of Aboriginal businesses is more heavily weighted at lower levels of full-time employees, while that of Aboriginal co-ops is more heavily weighted for higher levels of full-time employees. This shows that Aboriginal co-ops employ more full-time workers than other Aboriginal businesses.

¹⁴ This figure comes from the study of Caldwell D. and P. Hunt (1998), page 53. It is worthwhile to note that their sample comprises 54% of "sole proprietorship", and thus we would expect a low number of full-time employees. Nonetheless, it is also interesting to mention that even if we exclude "sole proprietorship" from the sample, we get an average of only 4.4 full-time employees per (Aboriginal) business. This figure is still very low compared to the average number of full-time employees working in Aboriginal co-ops (12.2).

Since 1993, total salaries paid by Aboriginal co-ops have increased. However, the rate of growth was very slow between 1996 and 1997. Even if total nominal salaries and wages were increasing, the average real income earned by a worker (part-time and full-time) in an Aboriginal co-op is decreasing.

Figure 4.10 Salaries and Wages Paid by Aboriginal Co-ops



In 1993, the worker of an Aboriginal co-op earned 16% less income than the average Canadian worker. In 1996, the situation worsened and the gap (in earnings) widened, reaching 28%. According to the trend shown in Figure 4.8, this gap will continue to widen unless something changes. Nonetheless, this trend is not unique to Aboriginal co-ops, since the earnings gap of Aboriginal populations compared to other Canadians is still widening (see appendix A).

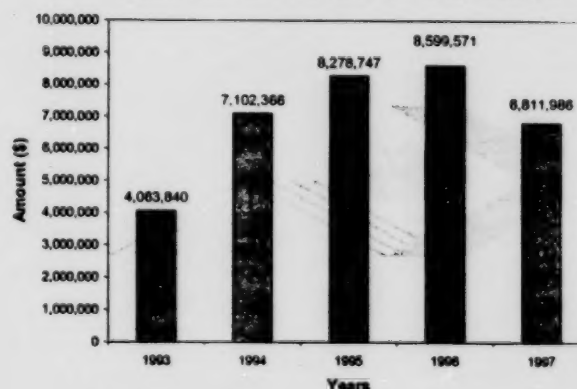
4.4 Finance

This section considers the evolution in some key financial categories such as net savings, investment in property and equipment, assets, members' equity and liquidity position.

4.4.1 Net Savings

Net savings have increased between 1993 and 1996. There was however a fairly large decrease between 1996 and 1997. This decrease was not explained by anything specific in co-op activity during this period. However, the value of net savings should not be taken as an indicator of the financial

Figure 4.11 Net Savings of Aboriginal Co-ops



health of co-ops in general. Unlike traditional businesses that aim to maximize profit (net savings), the objective of co-ops is to maximize the well-being of its members. This is achieved by offering the members goods and services at low prices and/or good quality. Thus, when the co-op sets its prices just to cover the charges, profit margins may seem low (or very low) compared to "private" (i.e. traditional) firms. Nonetheless, net savings remain a good measure of profitability for sectors where the competition is fierce, such as the dairy sector. In these sectors, co-ops have to follow the behavior of investor-owned firms (IOF) to survive. Large amounts of net savings could be targeted also by co-ops that pursue growth or innovation. It is true that the majority of the co-ops fall under the "retail sector" designation, which is by definition a low knowledge¹⁵ sector requiring less innovation than other high knowledge sectors. The lack of innovation and fierce competition for Aboriginal retail co-ops led them to generate modest amounts of net savings.

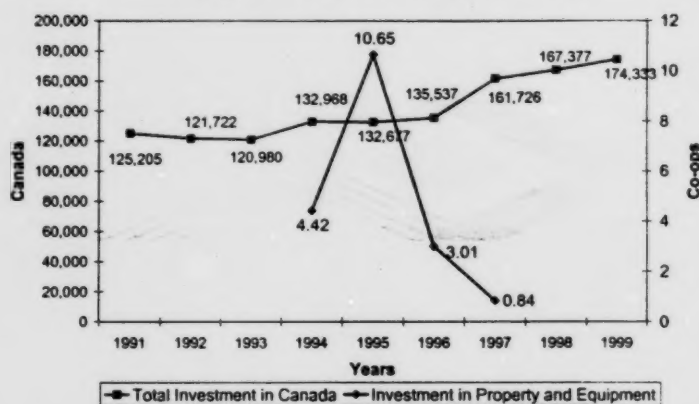
4.4.2 Investment in property and equipment

Net investment in property and equipment by Aboriginal co-ops exhibits an unusual pattern (Figure 4.12). It does not follow the trend found for the Canadian economy; it is opposite. The large increase in 1995 could be explained by a low level in inventory variation (\$1.1 million in 1995 compared to about \$3 million in 1994 and 1996).

But 1997 was also

characterized by a low level of inventory variation (\$1.7 million). Another explanation could be the business confidence. In the second quarter of 1994, the Conference Board's Index of Business Confidence was at its highest level since 1979¹⁶. This confidence among co-op managers could have been overstated in 1995. Nevertheless, after 1995, the level of investment has reverted to its "normal" (low) level. A very low level of investment in 1997 (less than \$1

Figure 4.12 Net Investment in Property and Equipment - Aboriginal Co-ops Vs Canada - millions \$



¹⁵ Lee and Has (1997) developed a categorization of industrial sectors according to knowledge content. They classified the retail sector as a low-knowledge sector.

¹⁶ The Conference Board of Canada. "Canadian Outlook. Economic Forecast". Winter 1995. Vol. 10 No. 2.

million) remains unexplained, especially when the Canadian business community was still investing massively in computer equipment – increases of 24.8% in 1996 and 21.7% in 1997¹⁷. In light of these figures, one must be concerned about future economic growth of Aboriginal co-ops, because investment is a key economic tool to increase output growth.

4.4.3 Assets and Members' Equity

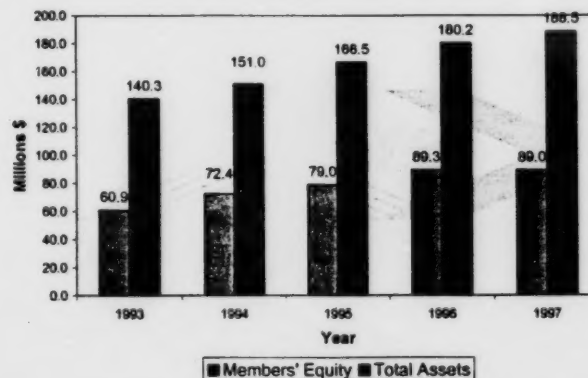
Assets of Aboriginal co-ops increased about one third (34%) from 1993 to 1997). This increase translates to a reasonable compounded annual average growth rate (CAAGR) of 7.7%. By comparison, the whole co-op sector has registered a CAAGR of assets of 6.4% during the same period.

Equity is defined as the sum of four components: share capital, members' loans, reserves, and undistributed surplus. Equity provided by the members increased steadily between 1993 and 1996, but stagnated somewhat in 1997 at a level of \$89 million. This stagnation was explained by the following.

First, there was a drastic decline in members' loans and the amount of undistributed

surplus (-44% and -39% respectively) – a total decrease of \$3 million. Second, there was a non-negligible decrease of about \$1.3 million in the reserves. If these three components were kept constant, there would be at least \$4.3 million in addition to the \$89 million registered in 1997. Share capital was the only component that increased between 1996 and 1997; this increase was expected since the number of members increased during this period.

Figure 4.13 Assets and Equity of Aboriginal Co-ops (\$ Millions)



The equity-to-assets ratio of Aboriginal co-ops averaged 47% between 1993 and 1997. This ratio was much higher than the one prevalent for Canadian co-operatives at 32.6%. This

¹⁷ The Conference Board of Canada: Canadian Outlook. Economic Forecast. Winter 1999. Vol. 14 No. 1.

“overcapitalization” by Aboriginal co-ops could be explained by the fact that Aboriginal co-ops have less access to debt¹⁸ and are forced to use equity as a substitute for debt.

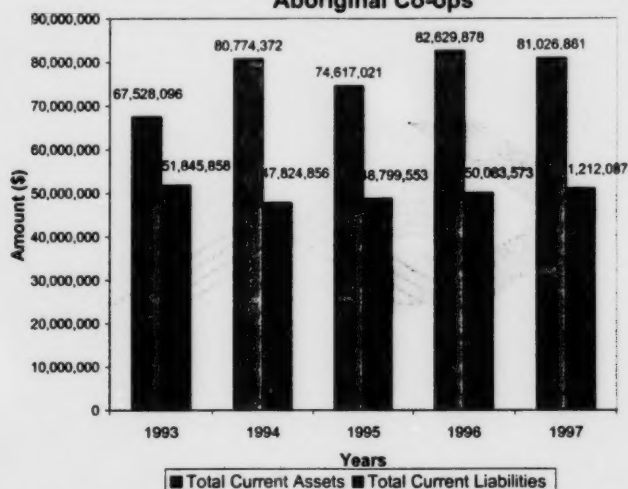
4.4.4 Liquidity Position

Current assets are generally defined as the assets of a firm which are expected to be converted into cash within one year.

Liquidity provides a measure of the ability of an organization to meet its current (short-term) obligations. The current ratio is a good example of a

liquidity measure and is calculated as the ratio between the values of current assets to current liabilities. A current ratio that is between one and two is considered “normal”. A high ratio (more than two) would suggest that management is too risk averse and is probably lacking some good opportunities to make higher profits. Conversely, a low ratio (one or less) suggests management is taking too many risks, and in a case of a liquidity crisis, the company could not probably face it.

Figure 4.14 Liquidity Position of Aboriginal Co-ops



According to the literature, there is no consensus as to whether co-ops are more or less risk averse (in the short-run) than other firms. Parliament, Fulton and Lerman (1989) suggest that moral hazard problems can induce co-ops to undertake more risk than other firms. On the contrary, Staatz (1987) notes that farmer co-ops are particularly more risk averse than other firms because farmers invest a large amount of their output in the co-op. According to this reasoning, the more commitment to the co-op, the more control over management, thereby inducing management to avoid taking risks. As extracted from Figure 4.14, the liquidity ratio ranges between 1.30 (in

¹⁸ According to Caldwell and Hunt (1998), 44% of Aboriginal businesses have inadequate access to debt financing. The reasons cited include the lack of collateral (section 89 of the Indian Act) and not having a financial institution in the community. We expect Aboriginal co-ops to face the same financing constraints as Aboriginal businesses in general, even though they might have access to the financial help from their federations. But more data are needed to evaluate the financial need of co-ops that seek help from their federations.

1993) and 1.69 (1994), with a simple average of 1.55. This ratio might seem low for some analysts who suggest an adequate value of two. We think no conclusion is to be drawn for all co-ops, but specific ratios should be computed for each industry (or sector) and compared to averages in that industry (or sector). Liquidity risk varies from one industry (sector) to another, and current ratios reflect a portion of that risk. Nonetheless, a very high or very low ratio is not desirable for any co-op.

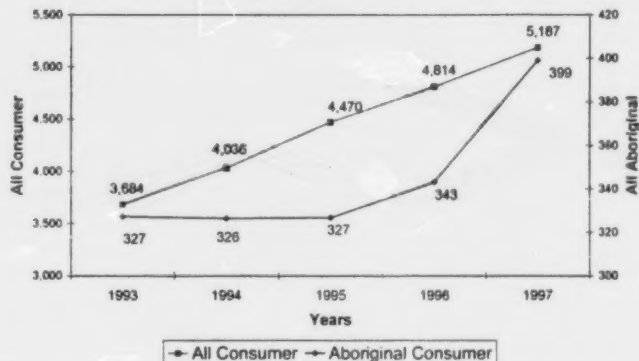
5. Relative Performance of Consumer Co-ops

In section 5, we discuss the performance of Aboriginal consumer co-ops in relation to all consumer co-ops in Canada. Some of the comparisons will also include the Canadian retail sector, whenever possible, to give a more general comparison framework. Note that the analysis of Aboriginal consumer co-ops is most of the time biased toward the Canadian North, because 90% of the Aboriginal volume of business is carried out in the North.

5.1 Average membership

At the Canadian level, membership of the average consumer co-op increased at a steady rate from 1993 to 1997. But for the average Aboriginal consumer co-op there was no growth between 1993 and 1995. However, from 343 members in 1996, the number of members of the average Aboriginal co-op jumped to almost 400. The membership of the average consumer co-op was 13 times that of the Aboriginal consumer co-op in 1997. A higher clientele basin in non-Aboriginal locations ensures a higher membership for the non-Aboriginal co-op.

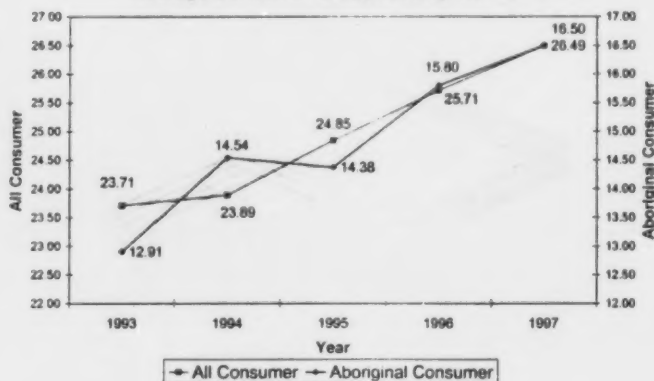
Figure 5.1 Membership in Average Consumer Co-op: Aboriginal Vs All



5.2 Full-time Employees and Salaries

Even though Aboriginal consumer co-ops are struggling continuously against financial difficulties (primarily due to high transportation costs in the North), they are still considered the home of stability for Aboriginal workers. Between 1993 and

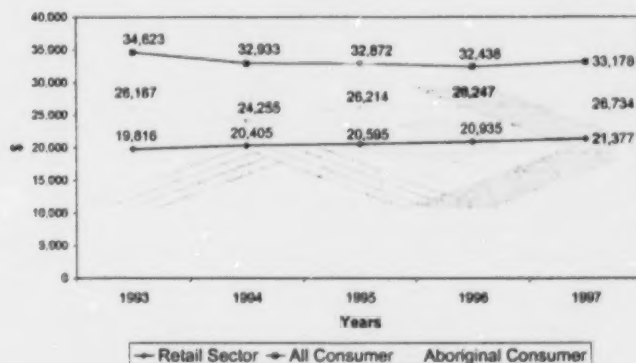
Figure 5.2 Number of Full-time Employees in an Average Consumer Co-op: Aboriginal Vs All



1997, the average consumer co-op recorded an annual increase of 2.8% for full-time employment. During the same period, the average Aboriginal consumer co-op recruited 6.5% more full-time workers annually. Because Aboriginal consumer co-ops evolve in a less competitive environment than southern consumer non-Aboriginal co-ops, they seem to be less vulnerable to economic downturns and the need for restructuring – often in conjunction with human resource reduction – is less obvious.

The number of full-time equivalent workers in the Canadian retail sector was computed using national averages¹⁹. Aboriginal consumer co-ops appear to pay salaries higher than the Canadian retail sector. The big difference in salaries (over 25%) could be the result of extrapolation of the retail

Figure 5.3 A Comparison of Average Salaries (Full-Time Equivalents)



sector full-time workers by the national average. Since the retail sector has proportionately more part-time workers than the Canadian average²⁰, then the full-time salaries of the retail sector should probably be close to those in Aboriginal consumer co-ops. It is interesting to note that Aboriginal consumer co-ops employ more full-time workers than other consumer co-ops. In 1997, only about 11% of the workers in Aboriginal co-ops had part-time positions, but 42% of workers in consumer co-ops were working part-time. Even though the Canadian retail sector is doing poorly compared to the co-ops, it is nonetheless increasing the salaries of its workers in a more consistent manner (+1.9% annually between 1993 and 1997) than its co-op competitors (-1.0% and +0.7% annually for consumer and Aboriginal consumer co-ops, respectively).

¹⁹ At the Canadian level, a part-time worker works approximately one third of the time of a full-time worker. The number of full-time equivalent workers was calculated as the sum of full-time workers plus one third of all part-time workers.

²⁰ In 1996, the average number of hours worked weekly by paid workers in Canada was 33. For the retail sector, it was only 30 hours. This difference indicates that the retail sector has proportionately more part-time workers than the average Canadian sector (Statistics Canada CANSIM matrices I190201 and I190243).

5.3 Consumer Products and Food Sales

Sales of consumer products increased at an annual average rate of 5.2% for all consumer co-ops, and 6.9% for Aboriginal consumer co-ops (calculated from Figure 5.4).

As part of consumer products, food sales are the major component (over 80% of the sales).

Aboriginal consumer co-ops recorded the highest growth for food sales (9.2% versus 4.6% for all consumer co-ops). This high growth is not surprising since Aboriginal co-ops are still in the process of developing, through the improvement of the food distribution in the North. The low purchasing power of the average Aboriginal person also contributes to the increase in the purchase of the essentials, especially food.

Figure 5.4 Consumer Products Sold by an Average Consumer Co-op: Aboriginal Vs All (\$000)

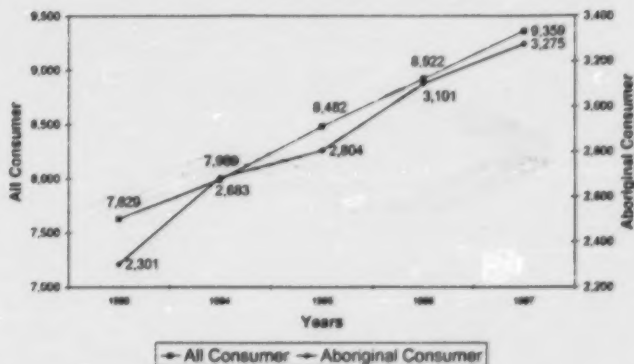
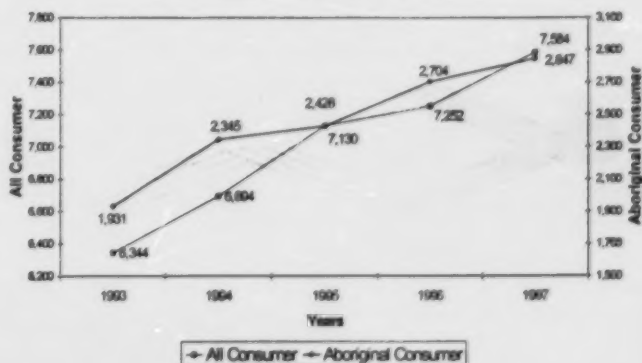


Figure 5.5 Food Sale in an Average Consumer Co-op: Aboriginal Vs All (\$000)



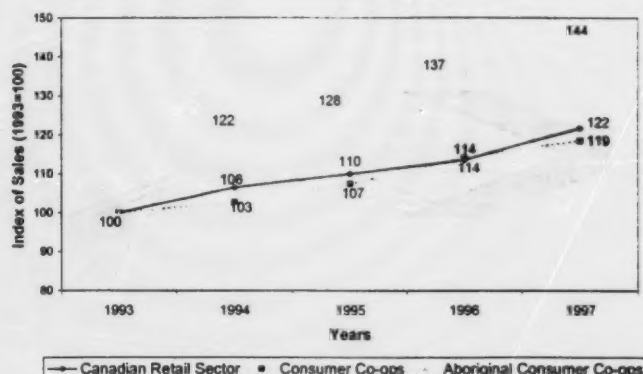
5.4 Growth Index of Sales

A growth index was constructed for the Canadian retail sector, all consumer co-ops, and Aboriginal consumer co-ops. The objective of this index was to show the pace of growth

independently of the volume of transactions²¹. The dynamism of a sector is often measured by its rate of growth, regardless of the absolute value of the sales. What is important is how it is growing.

The curve of the growth index of the Canadian retail sector is very similar to that of the co-ops in this sector. But, the sales of the Canadian retail sector were growing a little faster than those of the Consumer co-ops (average annual rate of 5.1% compared to 4.4%).

Figure 5.6 Growth Index of Sales: a Comparison

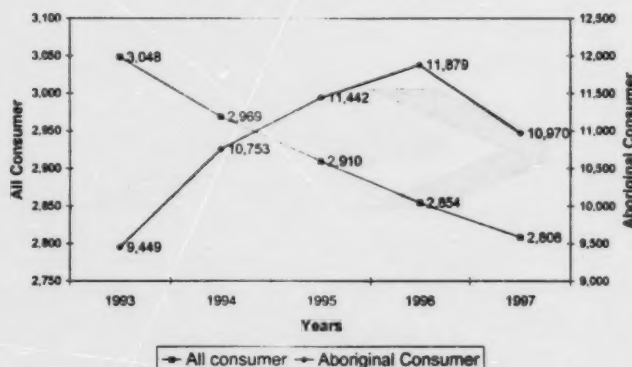


The higher curve in Figure 5.6 shows a high increase in the growth of the sales of Aboriginal consumer co-ops. From 1993 to 1997, the Aboriginal consumer co-ops present in the retail sector registered an average annual growth rate of 9.8% of their volume of business. This outpacing of other consumer co-ops could be explained by the versatility of their sales (consumer products, telecommunications, accommodation services, etc.), by the market structure (less competition?), or by management abilities (better knowledge of the Aboriginal market demand and its expected growth).

5.5 Expenses per Member

The members of Aboriginal co-ops spend on average four times more than the members of all consumer co-ops (Figure 5.7).

figure 5.7 Expenses per Member in Consumer Co-ops: Aboriginal Vs all (\$)



²¹ The volume of transactions of the Canadian retail sector amounted to approximately \$240 billion in 1997. The consumer co-ops in the retail sector have only three percent of the market shares. The market share of the Aboriginal co-ops is also very small (only 3.4% of the value of all consumer co-ops).

The "Aboriginal" member spends about \$210 a week, while the average member in a consumer co-op spends only \$54 a week. The multi-functionality of Aboriginal co-ops explains the high amount spent on various products, ranging from food to snowmobiles. Non-Aboriginal co-ops usually specialize in one or two products and the members' expenses serve to satisfy a specific need (food, clothing or hardware, etc.).

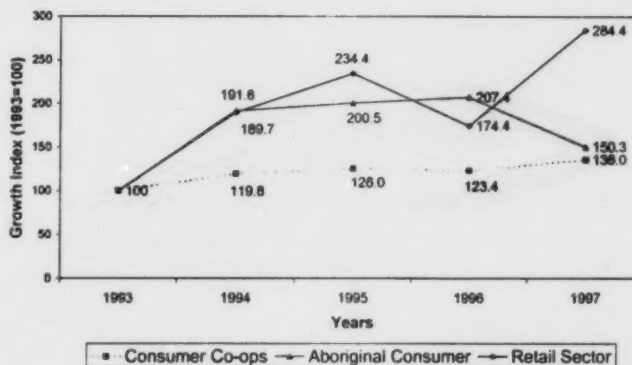
The graphs depicted in figure 5.7 show opposite directions between 1993 and 1996. While the (nominal) expenses increased for the average member in an Aboriginal co-op between 1993 and 1996, the (nominal) expenses of the average member in a consumer co-op were continuously decreasing during the same period. In real terms, the decrease in these expenses was more pronounced. This decline could be explained by the ferocious competition in the retail sector in general, especially since the emergence of discount and warehouse stores. The situation is not the same for Aboriginal (particularly northern) communities, where consumer co-ops are still dominating the retail sector.

5.6 Index of Profit Growth

Profits and growth in profits are needed to evaluate the financial viability of an organization (sector). Compared to the Canadian retail sector, consumer co-ops showed a slow but continuous increase in profit growth. Between 1993 and 1996, profit growth of Aboriginal consumer co-ops was very

close (on average) to that of the Canadian retail sector²², but in 1997, the profit levels of Aboriginal consumer co-ops decreased. This does not follow the pattern found in the retail sector or the consumer co-op sector. The decrease in profit levels was unexpected since profits in the retail sector had regained in 1996 their (nominal) levels prior to the 1990 crisis. This short-term

Figure 5.8 Index Growth of Profits Before Taxes: a Comparison



²² The increase in the index value of profits (Figure 5.8) in 1994 was the result of the (near) end of the 1990 recession that hit the retail sector very badly. The level of profits of 1989 was reached only in 1996.

decrease in profit levels raises some concerns, but a more complete picture revealing subsequent years should be examined before drawing any conclusion.

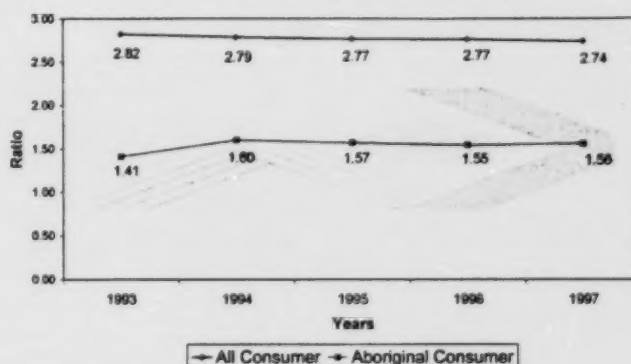
5.7 Sales-to-Total Assets Ratio

Sales-to-assets ratio provides an indication of the general efficiency of an organization, which gives an idea of how the assets are used. This ratio measures the ability of the firm to sell goods with one unit of assets. A high sales-to-assets ratio is generally preferable because it indicates a good ability of the firm to generate sales with a minimum of assets. However, since this indicator is a ratio, a high sales-to-assets ratio could be derived from a small amount of assets. In this case, the firm could be providing poor service to its customers or struggling from inefficient production. Similarly, a low ratio may indicate either lower than normal sales or higher than normal assets. Therefore we should be cautious when interpreting the sales-to-assets ratio.

When comparing the two curves on figure 5.9, we notice a big variation in the value of the ratio that is favorable to consumer co-ops. Aboriginal consumer co-ops have an average value of 1.54, and the whole consumer co-op sector's average ratio is 2.78. While the sales of the average Aboriginal consumer

co-op were about one third (30%) those of the average consumer co-op, total assets for the average Aboriginal consumer co-op were equal to 53% those of the average consumer co-op. This result shows that Aboriginal consumer co-ops either carry too many assets, or do not sell enough goods. At first sight, the low ratio of Aboriginal co-ops may indicate possible inefficiencies. But we should not jump to conclusions, because the structure of assets of Aboriginal consumer co-ops is different from other consumer co-ops. In fact, the sales-to-assets ratio is affected by the company's mix of product lines. For example, manufacturing companies will be more asset-intensive than retail firms. Aboriginal co-ops, which sell not only consumer products but also cable distribution (and other services), do not have the same type of asset requirements as other traditional consumer co-ops. If Aboriginal consumer co-ops have a different asset structure, then the sales-to-assets ratio should be calculated for only the lines of products that are similar to other consumer products. Since we do not have a breakdown of sales and assets by line of product, there is no way to find out a sales-to-assets ratio that is comparable

Figure 5.9 Sales-to-Total Assets Ratio of an Average Consumer Co-op



to other consumer co-ops.

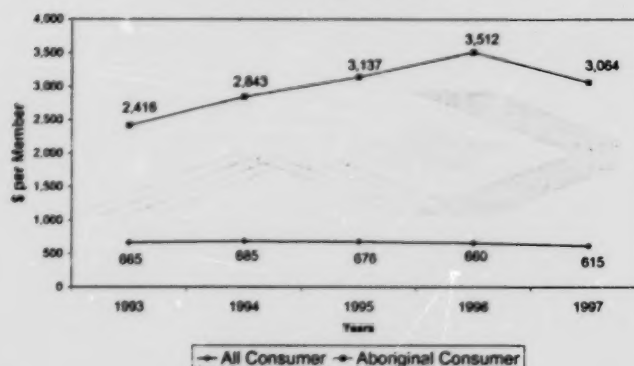
It was also found that the sales-to-assets ratio for all consumer co-ops (Aboriginal and non-Aboriginal) was lower than the one prevalent in "private" industry²³. This finding does not necessarily translate into (socio-economic) inefficiency of the consumer co-ops. Pricing strategies are implicitly included when we use the sales figures in the computation of the ratio. Lower sales-to-asset ratios of consumer co-ops can therefore be the result of pricing strategies by co-operatives that aim to meet a minimum margin (thus, allowing the member to benefit from low prices).

5.8 Equity per Member

The value of equity expresses the liability that a company has regarding its shareholders. It is an important indicator because it sheds light on the capacity of the firm to finance its future investments and operations. In 1997, the value of equity for the average Aboriginal consumer co-op was equal to \$1.2 million and

\$3.2 million for the average consumer co-op. Since the average consumer co-op has more members (5187 members in 1997) than the average Aboriginal co-op (399 members in 1997), this difference is not surprising. However, when we compare the amount of equity per member, it appears that members of Aboriginal consumer co-ops have more equity. In 1997, the equity per member in an Aboriginal consumer co-op was almost five times greater than the equity per member in a consumer co-op. The Aboriginal co-op (especially in small communities in the

Figure 5.10 Value of Equity per Member in a Consumer Co-op: Aboriginal Vs All



²³ Harris, A. and M. Fulton (1996) used an average sales-to-asset ratio of 4.11 for the retail industry between 1987 and 1993. This ratio was calculated for the retail grocers with total assets greater than \$250,000 and less than \$1,000,000. For firms with assets of more than \$1,000,000 the average ratio was equal to 4.69 between 1989 and 1993. These figures were obtained from the Canadian industry norms published by Dunn & Bradstreet.

North) is often the major supplier in the community for several products and services, thereby inducing its members to be very committed to their co-op. Other consumer co-ops (mainly southern) have members that have access to the services of a multitude of competitors, and therefore do not seem to have a very high degree of commitment to their co-op.

5.9 Current Ratio

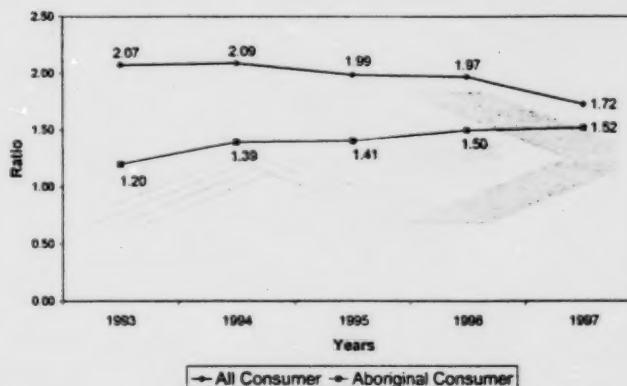
Current ratio measures the ability of the firm to meet its short-term obligations. This measure gives an insight to the degree of risk to the lenders and investors of the firm. The current ratio is calculated as the ratio between current assets and current liabilities. A high ratio guarantees a high level of liquidity, so that lenders are assured that the firm is able to reimburse them. However, a very high ratio may indicate excessive prudence that results in freezing funds that would otherwise be invested.

As illustrated in Figure 5.11, the ratio for the average Aboriginal consumer co-op has been lower than that for the average consumer co-op for every year of the study period (1993 – 1997).

However, we notice a catch-up phenomenon, as the gap between the two curves closes. From 1993 to 1996,

consumer co-ops were very consistent, with a ratio of about 2.00 for every year. In 1997, consumer co-ops seemed to take more (liquidity) risk, but more analysis including the subsequent years is necessary before drawing any conclusion. The liquidity position of Aboriginal consumer co-ops improved, starting at 1.20 in 1993, and finishing at 1.52 in 1997. If we compare the ratios to the industry norms (retail sector)²⁴, we find that consumer co-ops (Aboriginal and non-

Figure 5.11 Comparison of Current Ratios



²⁴ The industry norms are equal to 1.27 (retail grocers with more than \$1,000,000 of assets, 1989-1993), and 1.32 (retail grocers with assets greater than \$250,000, and less than \$1,000,000, 1987-1993). These figures are borrowed from Harris, A. and M. Fulton (1996), who used the Canadian industry norms published by Dunn & Bradstreet.

Aboriginal) are more liquid than their "private" counterparts. This result suggests that consumer co-ops are more risk-averse vis-à-vis their liquidity level. Theoretically consumer co-ops should have no difficulty attracting lenders because of their high liquidity levels, but some other considerations may hinder lending to co-ops. When analyzing the values in 1997, we think that consumer co-ops have reasonable values for the current ratio (1.72 and 1.52). They are not high (less than 1.75) suggesting that the co-ops are not unnecessarily freezing their funds, but also they are not low (more than the industry norm of 1.27), providing prospective lenders with trust and confidence.

6. NWT Aboriginal Co-ops and their Performance within the Territorial Economy

In section 6, we analyze NWT co-ops and compare some of the key variables to the NWT economy (e.g. employment, retail sales, investment, etc.). This section presupposes that the NWT economy is unique and that the NWT co-ops should be compared (when possible) to the economic environment in which they evolve.

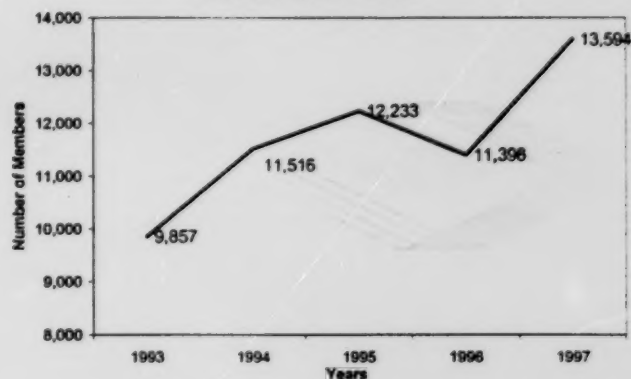
In 1999, there were 51 co-ops in the NWT incorporated between 1960 and 1994. In 1997, only 35 of them responded to the ASCC (a response rate of 69%, which is better than that of the whole set of Aboriginal co-ops in Canada). Between 1993 and 1997, the number of co-ops responding to the ASCC fluctuated between 35 and 40. In 1997, 34 out of the 35 co-ops were doing business in the consumer supply sector; the one co-op was linked to the financial services sector.

6.1 Membership

Membership of NWT Aboriginal co-ops increased from 1993 to 1997 at an annual growth rate of 8.9%. This increase was partly due to the high population growth in the NWT – 1.7% annually compared to 1.12% in Canada.

Figure 6.1 displays a decreasing curve between 1995 and 1996, due mainly to the inactivity of three co-ops that totaled about 1000 members in 1995. One big co-op (more than 800 members), located in Iqaluit was among these inactive co-ops. Nevertheless, NWT Aboriginal co-ops continue to be popular and attract new membership every year. In 1997, 20% of the population in the NWT was a member of a non-financial co-op, compared to 15.7% at the Canadian level.

Figure 6.1 Total Members of NWT Aboriginal Co-ops



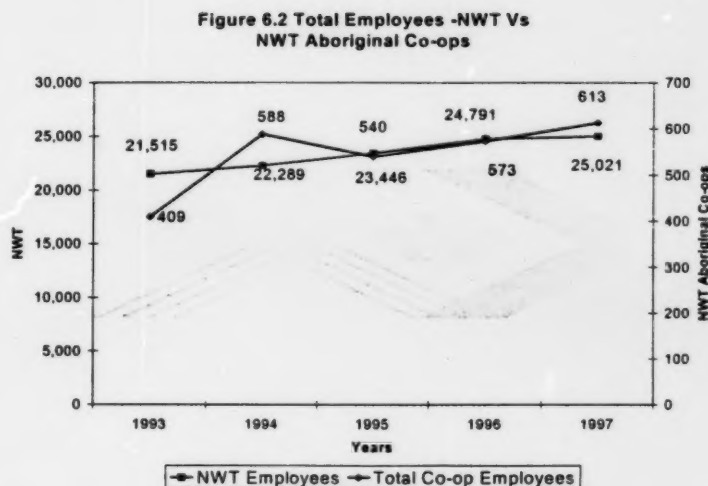
6.2 Employment

Figure 6.2 shows the number of people employed by Aboriginal co-ops in NWT. The data compiled by the Co-operatives Secretariat does not separate between Aboriginal and non-Aboriginal employees. We could however extrapolate the proportion of Aboriginal workers from population data gathered through the 1991 census (Statistics Canada) and reported in the "Basic

Departmental Data -1997" of the Department of Indian Affairs and Northern Development²⁵. According to these data, about 53% of the population with income in NWT are of Aboriginal descent. If this percent is valid for Aboriginal co-ops, then only about half of the workers would be of native origin. Nonetheless, the big majority (about 80%) of the co-ops are located either in rural or remote areas, where the non-Aboriginal population is almost non-existent. Therefore, we would expect the proportion of Aboriginal employees in co-ops to be much more than 53%.

There was a large increase in the number of employees from 1993 to 1994, due to a reporting problem in 1993 that underestimated the number of workers by about 100. However, an increase in output (sales) of NWT co-ops in 1994 could account for some of the increase.

When compared to employment growth in NWT, co-ops have hired on average 12% more workers each year, while employment in the NWT economy increased only 3.9% each year on average, during the 1993 - 1997 period. Even if 1993 and 1994 are removed (because of the data problems noted above), employment growth in co-ops is still higher than in the NWT in general (6.6% versus 3.3%) during the remaining period (1995 to 1997).



²⁵ The North, in Basic Departmental Data 1997 - Department of Indian Affairs and Northern Development, Information Management Branch, March 1998.

6.3 Salaries and Wages

NWT Aboriginal co-ops paid a total amount of almost \$11 millions in 1993 in salaries and wages and more than \$16 million in 1997 – an average annual increase of 10.8%. During the same period, salaries and wages paid by NWT businesses increased at an annual average rate of 4.75%. Canadian businesses have not done better with an average annual increase of salaries of only 3.5%. Clearly, NWT Aboriginal co-ops are growing and their growth is reflected in the increasing mass of their salaries.

Table 6.1 Comparative Average Annual Salaries and Wages – NWT, Canada and Aboriginal Co-ops

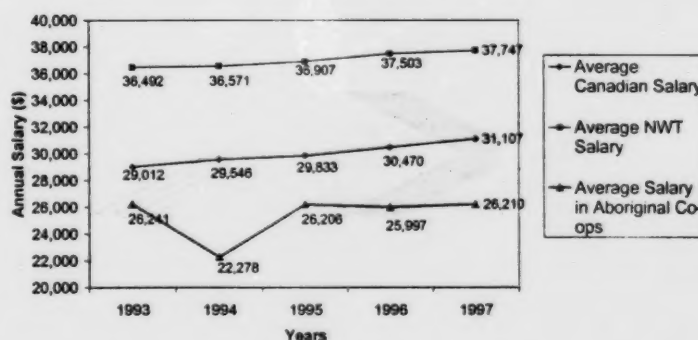
	1993	1994	1995	1996	1997
Average Canadian (private sector) Salary	29,012	29,546	29,833	30,470	31,107
Average NWT (private sector) Salary	36,492	36,571	36,907	37,503	37,747
Average Aboriginal Co-ops Salary	26,241	22,278	26,206	25,997	26,210

Nonetheless, the growth of total salaries does not hide the low average wage per worker in an Aboriginal co-op. In fact, while NWT companies paid their employees an average salary of 37,747\$ in 1997, the average worker in a NWT Aboriginal co-op received only \$26,210. This salary is even lower than the average Canadian salary of \$31,107 in 1997. However, the average salary in the NWT is heavily weighted by the high salaries in Yellowknife, where only few co-ops are established.

The fact that co-op workers receive low salaries is not very surprising if we consider that the majority of workers in Aboriginal co-ops are of Aboriginal descent. We know that the average Aboriginal income is about only 43% (42.5% in the 1991 census) of non-Aboriginal income. If the Aboriginal co-op pays an income equal to 69% (i.e.

\$26210 divided by \$37747 in 1997) of non-Aboriginal (NWT) income it is still better than what

Figure 6.3 Average Salary: Aboriginal Co-ops, NWT (private sector), and Canada (private sector)



Aboriginal workers could receive elsewhere (outside the co-op). We should also take into account that the northern (including NWT) Aboriginal labour force differs in qualitative terms from the non-Aboriginal labour force population. The demographic differences of the two populations are also different. Nevertheless, concerning the average salary, NWT Aboriginal co-ops are still lagging behind other businesses the NWT. A more consistent analysis should compare salaries in the same sectors as Aboriginal co-ops, namely the retail sector. Co-ops and other firms in the retail sector compete for the same qualitative labour force.

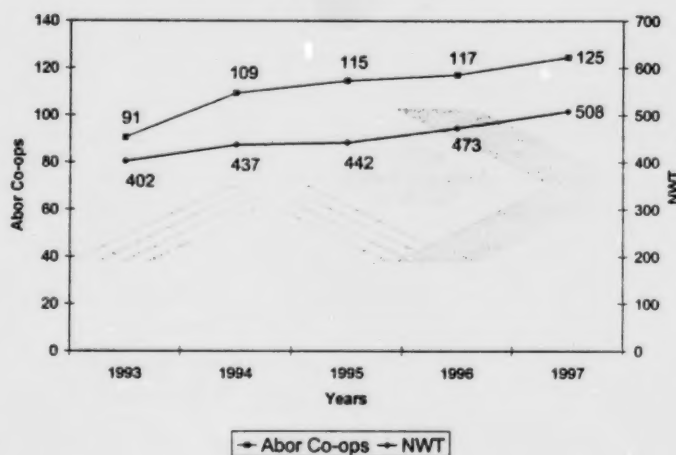
6.4 Total Sales and Volume of Business

The trend in sales growth usually explains consumer confidence in the economy and therefore gives a good idea of the expectations regarding the market demand scheme. NWT Aboriginal cooperatives seem to be in a good position, with retail sales growing almost 38% for the period 1993 to 1997. During the same period, retail sales in Canada and in the NWT increased 22% and 26% respectively. The difference

could be explained by the fact that Aboriginal populations dedicate each year a higher amount of their income to food and basic necessities generally sold in Aboriginal retail co-ops. If the per capita income of the Aboriginal population is not growing as fast as that of the non-Aboriginal population (and we suspect this is the case because of the fast population growth among Aboriginal people and the difference between the income of Aboriginal and non-Aboriginal peoples), then we would expect an increased proportion of disposable income used to purchase food and basic necessities (major products sold by Aboriginal co-ops in the North).

There is no doubt that NWT Aboriginal co-ops play a big role in the NWT economy: in 1997 they held almost 25% of market shares in the retail sector (Figure 6.4). It is worthwhile to note however that in some locations, NWT Aboriginal co-ops could hold up to 100% of market share (especially in small remote areas).

Figure 6.4 Retail Sales - NWT Economy Vs NWT Abor Co-ops (in \$ million)



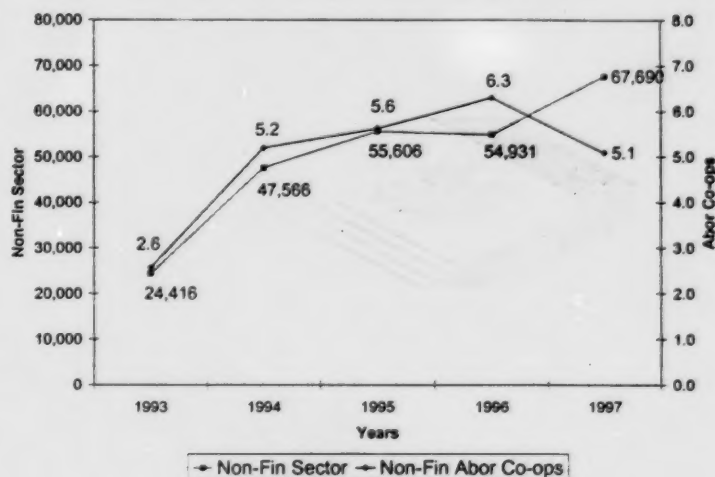
Volume of business represents all types of revenues that accrue to co-ops. In 1997, the volume of business of NWT Aboriginal co-ops reached over \$144 million, an increase of 34.8% over the period 1993 to 1997. This increase follows closely the growth in sales, which constitute the major component of the volume of business.

6.5 Profits before Taxes

We can detect three periods in profits shown on Figure 6.5: in the first period there was a sharp increase in profits between 1993 and 1994 for both co-ops and other non-financial firms in Canada. Profits before taxes doubled (100% and 95% increase for co-ops and other firms respectively). During the second period (1994 to 1996), co-ops recorded an annual average growth in profits of 10.1%, compared to 7.9% for the non-financial sector.

Profits were increasing for the non-financial sector, but decreasing for co-ops in the last period (1997), the only year profits took opposite directions (+23% and -19% respectively). Part of the decrease in co-ops' profits could be explained by a lower number of co-ops in 1997 but this is not enough (the average profit was still lower in 1997). The decrease in profits is left unexplained, since even operating revenues of co-ops (i.e. sales and services) were higher in 1997 compared to 1996.

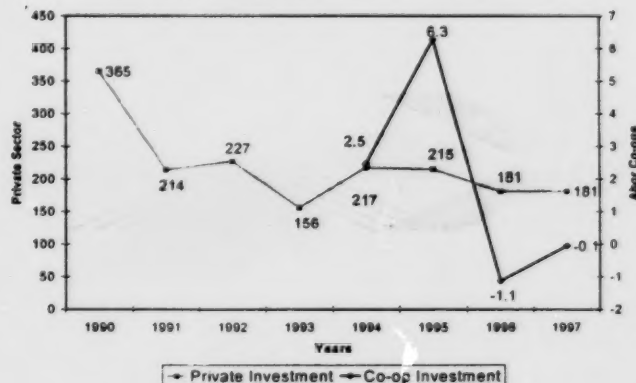
Figure 6.5 Total Annual Profits Before Taxes - All Non-Financial Enterprises Vs NWT Abor Co-ops (\$ million)



6.6 Investment in Property and Equipment

Investment is calculated as a difference in capital stocks between two periods (usually years). Capital stock consists

Figure 6.6 Investment in Property and Equipment - NWT Aboriginal Co-ops Vs NWT Private Sector (millions \$)



of two major components: property (buildings, land, structures) and equipment (machinery and tools).

The pattern of investment in property and equipment by NWT Aboriginal co-ops is similar to other Aboriginal co-ops (see Figures 4.12 and 6.6), except that Aboriginal co-ops in the NWT registered a negative investment (i.e. disinvestment) in 1996 and 1997. This negative investment means that co-ops are not even renewing the full amount of the depreciated value of their physical capital. For two out of four years, NWT Aboriginal co-ops did not renew fully their depreciated capital stocks.

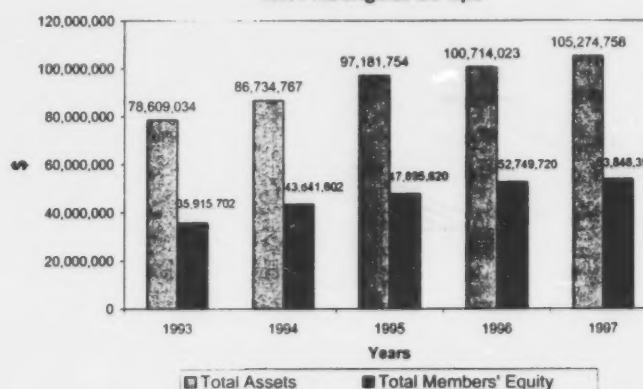
The trend of the NWT private investment is slightly downward for the period 1990 to 1997, with only one large increase between 1993 and 1994. Nonetheless, we see no negative investment for the NWT economy. Interestingly, total investment for the Canadian economy showed an upward slope for the period 1991 to 1999 (see Figure 4.12).

6.7 Assets and Members' Equity

Equity capital has been increasing continuously from 1993 to 1997. The main contributors of this increase are the share capital and the reserves. The value of members' shares increased more than 15% annually on average, while the co-ops' reserves increased 5.1%. On the other hand, members loaned fewer dollars to their co-ops (-11.1% annually), and the amount of undistributed surplus shrank an average of -7.1% annually. But members' loans and the undistributed surplus (i.e. the declining components of equity) have no significant effect on the value of equity capital, since they constitute less than six percent of the value of equity. Share capital is once again the major source of equity capital, contributing with almost 55% to the co-op's equity (in 1997). The increasing value of share capital is the result of larger membership (see section 6.1).

In 1997, assets totaled \$105 million, of which \$43 million were considered current assets (i.e. cash and cash equivalents). From 1993 to 1997, total assets grew 7.6% annually (on average), and their current counterparts increased 6.3%. On the other hand, non-current assets (i.e. "portfolio" investments, and

Figure 6.7 Assets and Equity of NWT Aboriginal Co-ops



fixed capital) recorded double-digit growth (11.9%). The driving force of this increase is the "portfolio" investment, which increased almost 20% (annual average of 19.1% exactly). In 1997, the value of fixed capital (i.e. property and equipment) decreased 0.18%, and the value of "portfolio" investment increased 29%. Is there a tradeoff between these two types of investment? Theoretically, there should not be such a tradeoff for the type of co-ops in the NWT: these are primarily consumer co-ops that are not very malleable, so that fixed capital is always necessary for the everyday business. Nonetheless, it is interesting to follow these two types of investments in the future and look for a possible correlation.

6.8 Some Statistics on Inuit Communities

The 22 communities that appear on Table 6.2 were selected from a total of 41 communities found on the Internet (Inuit Business Directory - www.pail.ca). The selection was made based on the availability of co-op information in the database of the Co-operatives Secretariat. Nineteen communities were not selected because there was either no data available for them at the Secretariat level, or the data from different sources seemed inconsistent.

In the 22 Inuit communities, there were 15,920 persons employed. Although Inuit co-ops provide only a small portion of employment (3% on average), their contribution to employment for some communities was non-negligible. According to the data, there were six communities that had more than 10% of employment by Inuit co-ops. In Pelly Bay and Pond Inlet, for example, employment by co-ops was 55.8% and 25.0% respectively of total employment.

Based on the data, the average income paid by co-ops was higher than the average income in the communities by 7.12%. Total average income paid by co-ops was \$24,020 compared \$22,308 in the communities. There was considerable variation in the levels of income recorded in the communities. Estimated standard deviation of the average income in the communities was \$11,326, compared to \$1,605 for local co-ops. This indicates that co-ops tend to pay relatively similar salaries across different regions in the North.

The total population for the 22 communities was 35,502. The members of local co-ops accounted for 29% of this total population. The ratio of co-op members divided by the total population gives the participation rate and expresses the level of interest in the co-ops. According to Table 6.2, participation rates varied greatly from one community to another. Some communities had very high participation rates, while others faced low participation rates. In Cambridge Bay, for example, the participation rate was 85.3%. On the contrary, Yellowknife had a low participation rate of 8.7%. Seven communities had participation rates between 30% and 40%, eight communities between 40% and 60%, and six communities over 60%.

In short, Inuit co-ops are an important part of economic development in the community. They provide employment opportunities for Inuit people, and pay somewhat higher than average salaries. With the greater participation of the co-ops in the daily lives of Inuit people, they will improve their economic and social well being.

Table 6.3 is similar to Table 6.2 except that it does not include Yellowknife. The rationale behind this exclusion is that for some people, Yellowknife is "not" considered an Aboriginal city. When Yellowknife is removed, the conclusions of this section are far more reinforced, showing that co-ops do make a significant difference in the lives of Aboriginal communities of the North.

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**Table 6.2 Selected Statistics of a Sample of Inuit Communities
(Including Yellowknife)**

NO	COMMUNITY	SAMPLE OF CO-OPS	TOTAL EMPLOYMENT IN COMMUNITY	EMPLOYMENT IN CO-OPS	CONTRIBUTION TO EMPLOYMENT BY CO-OPS (%)	TOTAL POPULATION	TOTAL CO-OP MEMBERSHIP	PARTICIPATION RATE OF CO-OPS (%)	AVERAGE INCOME BY COMMUNITY (\$)	AVERAGE INCOME BY CO-OPS (\$)
1	Akulvik	Akulvik Co-op Ass.	130	13	10	411	281	68.4	16,487	21,653
2	Arctic Bay	Taqut Co-op Ltd.	175	7	4	639	204	31.9	21,111	24,191
3	Aylat	Padlei Co-op Ass. Ltd.	365	21	5.8	1,559	627	40.2	17,770	21,332
4	Baker Lake	Sannavik Co-op Ass. Ltd.	385	12	3.1	1,385	425	30.7	18,688	22,748
5	Cambridge Bay	Kalukutuk Co-op Ltd.	580	36	6.2	1,351	1,152	85.3	28,915	18,488
6	Cape Dorset	West Baffin Eskimo Co-op Ltd.	345	35	10.1	1,118	678	60.6	18,125	24,774
7	Corral Harbour	Kafudgevik Co-op Ass. Ltd.	205	14	6.8	868	410	47.3	22,477	28,641
8	Hall Beach	Hall Beach Co-op Ass. Ltd.	125	9	7.2	543	319	58.8	18,036	24,389
9	Holman	Holman Eskimo Co-op Ltd.	160	25	15.6	423	169	40.0	16,862	21,253
10	Igloodik	Igloodik Co-op Ltd.	275	20	7.3	1,174	429	36.5	17,049	24,457
11	Kangirsuk	Payne Bay Co-op Ass.	135	11	8.1	394	309	78.4	17,707	21,005
12	Kugluktuk	Kugluktuk Co-op Ltd.	395	16	4.1	1,201	502	41.8	20,942	23,984
13	Pangnirtung	Pangnirtung Eskimo Co-op Ltd.	390	15	3.9	1,243	486	39.1	18,097	25,482
14	Pelly Bay	Koomiut Co-op Ass. Ltd.	120	67	55.8	496	272	54.8	16,789	25,136
15	Pond Inlet	Pond Inlet Co-op Ltd.	280	70	25	1,171	608	52.5	18,759	22,185
16	Rankin Inlet	Kissarvik Co-op Ass. Ltd.	870	8	0.9	2,058	773	37.6	28,424	24,714
17	Repulse Bay	Nauyas Co-op Ltd.	175	22	12.6	559	200	35.8	17,683	22,131
18	Resolute	Tudjaat Co-op Ltd.	205	9	4.4	270	153	56.7	66,747	24,641
19	Sankiluaq	Mitig Co-op Ass. Ltd.	180	17	9.4	631	280	44.4	16,809	23,701
20	Taloyoak	Paleelook Co-op Hotel-Inne N.	185	17	9.2	848	228	26.9	15,574	22,174
21	Whale Cove	Issatik Eskimo Co-op Ltd.	90	15	16.7	301	248	82.4	18,666	23,906
22	Yellowknife	NWT Co-op Busi. Dev. Fund	10,150	2	0	17,275	1,507	8.7	39,086	28,744

Source: Co-operatives Secretariat, August, 2000



**Table 6.2 Selected Statistics of a Sample of Inuit Communities
(Including Yellowknife)**

NO	COMMUNITY	SAMPLE OF CO-OPS	TOTAL EMPLOYMENT IN COMMUNITY	EMPLOYMENT IN CO-OPS	CONTRIBUTION TO EMPLOYMENT BY CO-OPS (%)	TOTAL POPULATION	TOTAL CO-OP MEMBERSHIP	PARTICIPATION RATE OF CO-OPS (%)	AVERAGE INCOME BY COMMUNITY (\$)	AVERAGE INCOME BY CO-OPS (\$)
1	Akulivik	Akulivik Co-op Ass.	130	13	10	411	281	68.4	16,487	24,653
2	Arctic Bay	Taqut Co-op Ltd.	175	7	4	639	204	31.9	21,111	24,191
3	Arviat	Padlei Co-op Ass. Ltd.	365	21	5.8	1,559	627	40.2	17,770	24,332
4	Baker Lake	Sannavik Co-op Ass. Ltd.	385	12	3.1	1,385	425	30.7	18,688	22,748
5	Cambridge Bay	Ikaluklutiak Co-op Ltd.	580	36	6.2	1,351	1,152	85.3	28,915	18,488
6	Cape Dorset	West Baffin Eskimo Co-op Ltd.	345	35	10.1	1,118	678	60.6	18,125	24,774
7	Coral Harbour	Katudgevik Co-op Ass. Ltd.	205	14	6.8	669	410	61.3	22,477	23,641
8	Hall Beach	Hall Beach Co-op Ass. Ltd.	125	9	7.2	543	319	58.8	18,036	24,389
9	Holman	Holman Eskimo Co-op Ltd.	160	25	15.6	423	169	40.0	16,862	21,263
10	Igloodik	Igloodik Co-op Ltd.	275	20	7.3	1,174	429	36.5	17,049	24,457
11	Kangirsuk	Payne Bay Co-op Ass.	135	11	8.1	394	309	78.4	17,707	24,005
12	Kugluktuk	Kugluktuk Co-op Ltd.	395	16	4.1	1,201	502	41.8	20,942	23,984
13	Pangnirtung	Pangnirtung Eskimo Co-op Ltd.	390	15	3.9	1,243	486	39.1	18,097	25,492
14	Pelly Bay	Koomiut Co-op Ass. Ltd.	120	67	55.8	496	272	54.8	16,789	25,136
15	Pond Inlet	Toonoonik Sahooinik Co-op Ltd.	280	70	25	1,154	606	52.5	18,759	24,845
16	Rankin Inlet	Kissarvik Co-op Ass. Ltd.	870	8	0.9	2,058	773	37.6	28,424	24,714
17	Repulse Bay	Naujat Co-op Ltd.	175	22	12.6	559	200	35.8	17,663	23,991
18	Resolute	Tudjaat Co-op Ltd.	205	9	4.4	270	153	56.7	66,747	24,641
19	Sanikiluaq	Mitiq Co-op Ass. Ltd.	180	17	9.4	631	280	44.4	16,809	23,701
20	Taloyoak	Paleajook Co-op Hotel-Inns N.	185	17	9.2	648	228	35.2	15,574	24,371
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Source: Co-operatives Secretariat, August, 2000



**Table 6.3 Selected Statistics of a Sample of Inuit Communities
(Excluding Yellowknife)**

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3	Arviat	Padlei Co-op Ass. Ltd.	365	21	5.8	1,559	627	40.2	17,770	24,332
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13	Pangnirtung	Pangnirtung Eskimo Co-op Ltd.	390	15	3.9	1,243	486	39.1	18,097	25,492
14	Pelly Bay	Koomiut Co-op Ass. Ltd.	120	67	55.8	496	272	54.8	16,789	25,136
15	Pond Inlet	Toonoonik Sahoosik Co-op Ltd.	280	70	25	1,154	606	52.5	18,759	24,845
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Source: Co-operatives Secretariat, August, 2000

**Table 6.3 Selected Statistics of a Sample of Inuit Communities
(Excluding Yellowknife)**

NO	COMMUNITY	SAMPLE OF CO-OPS	TOTAL EMPLOYMENT IN COMMUNITY	EMPLOYMENT IN CO-OPS	CONTRIBUTION TO EMPLOYMENT BY CO-OPS (%)	TOTAL POPULATION	TOTAL CO-OP MEMBERSHIP	PARTICIPATION RATE OF CO-OPS (%)	AVERAGE INCOME BY COMMUNITY (\$)	AVERAGE INCOME BY CO-OPS (\$)
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3	Arviat	Padlei Co-op Ass. Ltd.	365	21	5.8	1,559	627	40.2	17,770	23,332
4	Baker Lake	Sarnavik Co-op Ass. Ltd.	385	12	3.1	1,385	425	30.7	18,688	22,748
5	Cambridge Bay	Ikaluktuak Co-op Ltd.	580	36	6.2	1,351	1,152	85.3	28,915	18,488
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14	Pelly Bay	Koomiut Co-op Ass. Ltd.	120	67	55.8	496	272	54.8	16,789	25,136
15	Pond Inlet	Toonoonik Sahnook Co-op Ltd.	280	70	25	1,154	606	52.5	18,759	21,945
16	Rankin Inlet	Kissavik Co-op Ass. Ltd.	870	8	0.9	2,058	773	37.6	28,424	24,714
17	Repulse Bay	Nauyas Co-op Ltd.	175	22	12.6	559	200	35.8	17,663	23,981
18	Resolute	Tudjaat Co-op Ltd.	205	9	4.4	270	153	56.7	66,747	24,641
19	Sanikiluaq	Mitig Co-op Ass. Ltd.	180	17	9.4	631	280	44.4	16,809	23,701
20	Taloyoak	Paleelook Co-op Hotel-Inns N.	185	17	9.2	648	228	35.2	15,574	21,371
21	Whale Cove	Issatik Eskimo Co-op Ltd.	90	15	16.7	301	248	82.4	18,666	23,906

Source: Co-operatives Secretariat, August, 2000

7. Avenues of Future Research

In this section, we focus on the present research and some aspects of the profile that could not be analyzed due to the unavailability of data.

7.1 Financial and Social Data

To our knowledge, there has never been a comprehensive statistical study of Aboriginal co-ops in Canada. Therefore, this profile filled a gap that was missed by the research on Aboriginal matters. Even when looking at Aboriginal businesses in general, there were only two recent studies²⁶.

We think that the Secretariat has a very comprehensive financial database on all co-operatives, including Aboriginal co-ops. The only shortcoming is that Aboriginal co-ops do not complete the breakdown of their sales and services in the questionnaire. We hope that this problem will be fixed in the future and that we will have a better picture of the diversity in activities of Aboriginal co-ops.

Since the 1930s, the Co-operatives Secretariat has been collecting financial variables that appear in the Statement of Income and the Balance Sheet of Canadian co-operatives. This database is very useful when we try to evaluate the effectiveness of a program for example, or when we want to compare the financial performance of co-ops and other investor-owned firms. But co-ops are not only economic organizations, but also social entities that work for the benefit of the members and their communities. Consequently, we feel it is necessary to begin collecting information on social variables (in the broad sense). The lack of social variables has prevented us from doing

²⁶ The first paper was sponsored by Aboriginal Business Canada (ABC): "The road less traveled: Aboriginal entrepreneurs building economic independence of the 1990s". ABC, January 1998. The second document is by Caldwell, D. and P. Hunt: "Aboriginal Businesses: Characteristics and Strategies for Growth". Occasional paper No. 20. Ottawa: Industry Canada, July 1998.

some analysis that we felt was important in the Aboriginal context. Variables such as youth, gender and ethnic origin of the workers could have been very helpful in understanding some of the challenges that the Aboriginal population faces.

7.2 A Special Survey?

Adding a few questions to the ASCC on age and gender of managers and workers can be achievable with some costs (such as a lower response rate), but adding a whole section on social variables can be very costly in terms of lost information (probably very low response rate from co-ops).

To avoid this problem, the Secretariat (or another organization) could design a special survey directed to all co-ops, including Aboriginal co-ops. This survey should be directed not only to the present situation of the co-op, but also to the prospects of its future (growth, needs, etc.).

Four fields need to be covered by this special survey, namely managers and employees, markets, technology use, and government support.

Managers and employees – Questions related to Aboriginal origin, age, gender, education and training are important.

Markets – Questions about the present location of the clientele, as well as the prospects of widening the market (new clients, new products, etc.) are important in order to know the future direction of the co-op. Tools that the co-op uses to improve its market share, and obstacles to growth can also help to understand the opportunities and problems facing the co-op.

Technology use – In the present environment of a knowledge-based economy, it is crucial to know the position of the Aboriginal co-ops on the technology scale. Questions related to computer use (extent of use of computers and specialized softwares for example), as well as the existence of a web site can help place the co-op among its competitors. The use of other technical devices such as a fax machine, modem, CD-ROM stations, and scanners can give a good idea of the level of integration of Aboriginal co-ops in the knowledge-based economy.

Government support – In the past, co-ops have used government support to start their businesses. Today, opportunities for start-ups are less frequent (because of the limited number of Aboriginal communities) but needs are still present. It is useful to the Secretariat and other government

authorities to know which government organizations are used by Aboriginal co-ops when they need help. Today, governments are less disposed to subsidize corporations, but they still have a major role in encouraging some businesses. Knowing what type of help Aboriginal co-ops usually seek from government organizations will give governments an opportunity to adjust their help and tailor it to the needs of Aboriginal co-ops.

Conclusion

Incorporations of Aboriginal co-ops were very popular in the 1970s and 1980s, and even to some extent in the 1990s. Aboriginal co-ops are concentrated in Quebec and NWT, where 73 co-ops are established, counting almost 55% of all Aboriginal co-ops in Canada.

Aboriginal co-ops are still the minority form of organization among Aboriginal people. In 1996, only 35 co-ops served a population of 100,000 compared to 1,300 other forms of Aboriginal businesses.

While Aboriginal businesses are concentrated in the primary and construction sectors of the economy, Aboriginal co-ops are found in the primary and retail sector. The lack of interest in the construction sector by Aboriginal co-ops needs more research.

Seventy-one percent of Aboriginal co-ops are active in the retail sector and account for 93% of all activity, with a volume of business of more than \$230 million.

Membership in Aboriginal co-ops is on the rise, and we expect this trend to continue as long as the population growth is sustained. In 1993 there were about 20,000 members, while in 1997 there were almost 2,500 members. The membership inside a community can be very high: in some communities (especially northern ones), almost everyone is a member of a co-op.

A high inflation rate (particularly in the North) combined with an increasing population is limiting the purchasing power of Aboriginal people to basic necessities. This is observed in the increasing volume of food sold by Aboriginal co-ops.

The growth in the volume of business of Aboriginal co-ops has been slightly higher (9.26% annually) than that of the whole co-op sector (8.64% annually) from 1993 to 1997.

Aboriginal co-ops remain active in the labour market. While the average Aboriginal business is employing 2.6 full-time employees, the average Aboriginal co-op has about 12 full-time employees.

The average salary in the co-op is still lower than the average Canadian salary (\$19,515 and \$27,823 in 1997 respectively).

The ratio of equity-to-assets of Aboriginal co-ops seemed high compared to other co-ops (47.0% versus 32.6%). This could be explained by the fact that Aboriginal co-ops have less access to debt and tend to substitute debt by equity.

Aboriginal consumer co-ops have more product lines (e.g. food, snowmobiles, taxi, hotel, cafeteria, etc.) than the other consumer co-ops. As a result, the average member of an Aboriginal consumer co-op spends more (\$210 per week) than the average member of a consumer co-op in Canada (\$54 per week).

Aboriginal consumer co-ops are growing at a rate almost twice that of the retail sector or the other consumer co-ops. Their volume of business has been growing at annual average rate of 9.8%, while their competitors recorded a rate of 5.1% (retail sector) and 4.4% (all consumer co-ops).

North West Territories (NWT) co-ops are more active in the labour market than other NWT organizations. Between 1993 and 1997, NWT co-ops had annual increases of staff of 12.0%, while other NWT organizations employed about 3.9% more workers annually.

Co-ops are more popular in the NWT than elsewhere in Canada. In 1997, 20% of the NWT population were members of a non-financial co-op, compared to 15.7% at the Canadian level.

Co-ops in the NWT deliver not only social benefits to the community, but are also an efficient form of business enterprise. Between 1994 and 1996, before tax profits accrued by co-ops in the NWT increased 10.1%, compared to 7.9% for all non-financial corporations in Canada.

In conclusion, we can say that the co-op sector is a consistent form of social business among Aboriginal communities, particularly for northern populations. Its devotion to the social contract does not prevent it from being financially and economically a viable form of organization.

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APPENDIX A

Socio-Economic Environment in NWT/Nunavut



HIGHLIGHTS

- *Population*, including size, characteristics and changes, is a major indicator for future considerations of government expenditures and cooperative development. It is estimated that the population of both Aboriginal and non-Aboriginal people in the NWT/Nunavut was about 69,000 in 1999. Relative to Canada, the NWT/Nunavut have a faster growing population.
- There have been substantial improvements in the *education* of the territorial population, even though education levels among Aboriginal people lag behind the territorial average, and public school enrollments and graduates have leveled off in recent years.
- The NWT/Nunavut have higher *employment* compared to Canada as a whole. In the NWT, for instance, the employment rate was 67.5%, when Canada's rate was 59.0% in 1999. While high participation rates in the NWT/Nunavut were apparent for both Aboriginal and non-Aboriginal people, the *unemployment* rate was also higher in the territories, particularly for Aboriginal people, compared to Canada as a whole.
- Total personal *income* in the NWT/Nunavut has increased in the past years. It remained relatively constant with a slight growth between 1993 and 1996. There was a gap between Aboriginal and non-Aboriginal average income, which may be attributed to a high level of employment income for non-Aboriginal people.
- Income from salaries, wages and supplementary labor income has consistently been the largest component of the territorial *GDP* at factor cost. Between 1990 and 1997, the economic output from labor income grew 33%, while output from corporate profits dropped 23% over that period. Since 1991, the increases in *consumer prices* have been almost equivalent in Canada and Yellowknife. However, the cost of living was higher in small communities in the Territories than in southern Canadian cities.
- The NWT/Nunavut experienced positive growth in *retail sales* since 1991. From 1990 to 1998, the dollar value of retail sales across Canada increased 28%. This growth was exceeded in the NWT/Nunavut, where the value of retail sales increased 35% over those years.
- Over the past seven years, federal *expenditures* in the NWT/Nunavut decreased each year after 1991 except for 1993. Meanwhile, the federal revenues as a percentage of the expenditures were substantially lower in the NWT/Nunavut than Canada as a whole.

This part provides an overview of current and past social and economic conditions of the Northwest Territories and Nunavut (NWT/Nunavut), including some comparisons to Canada as a whole¹. It gives general information with some tables and graphics. The data are for 1990 to 1999, and the historical information that has been compiled reflects the two geographic boundaries: Northwest Territories and Nunavut. Where the information concerning the NWT is separated from that of Nunavut, it is identified as the Northwest Territories or NWT. Where both the NWT and Nunavut are mentioned, the "NWT/Nunavut" is used.

The socio-economic environment here refers to the conditions in both social and economic measures. Major social influences on cooperative development include population and education. Key economic determinants include the labor force, gross domestic product (GDP) level, consumer price index (CPI), finance and expenditures. This part is divided in four sections:

- population and education
- employment and unemployment
- GDP and CPI
- finance and expenditure

A. Population and Education

The characteristics of the population and the changes in the size of the population are two of the major indicators for further consideration of government expenditures and cooperative development. Educational enrollments and number of graduates at a variety of levels are also acknowledged as major components of socio-economic status. Both population and education are positively associated with Aboriginal cooperative development.

¹ During the data search in March and April, 2000, Indian and Northern Affairs Canada (INAC), Statistics Canada and NWT Bureau of Statistics provided their support. The data in this document are mostly obtained from Department of Statistics of INAC and NWT Bureau of Statistics.

Population

The combined population of the NWT/Nunavut was estimated at 69,000 in 1999 (Figure A.1). Based on the 1996 census, there was an Aboriginal population of 19,000 in the NWT, accounting for 48% of the total NWT population. In Nunavut, the Aboriginal population was 21,674 – more than five times the non-Aboriginal population of 4,067.

In 1997-98, the overall number of people in the NWT/Nunavut declined slightly, probably because of the downturns in the economy, in public and private capital investments, and because of the closures of some mines. While the number of people in the NWT/Nunavut declined slightly in 1998, the population in 1999 increased with the establishment of the Nunavut territory, which provided opportunities for employment and economic development. Relative to Canada, the NWT/Nunavut still have a faster growing population. From 1990 to 1999, the population of the NWT/Nunavut grew by an average annual rate of 1.7%, while the rate of the Canadian population was 1.12%.

Inter-provincial migration might influence the population growth rate in the NWT/Nunavut. Based on the estimates of immigration, emigration and inter-provincial/territorial migration, the NWT/Nunavut experienced a net migration loss every year since 1991, with the greatest loss in 1997/98 (Figure A.2).

Figure A.1 Population in NWT/Nunavut and Canada

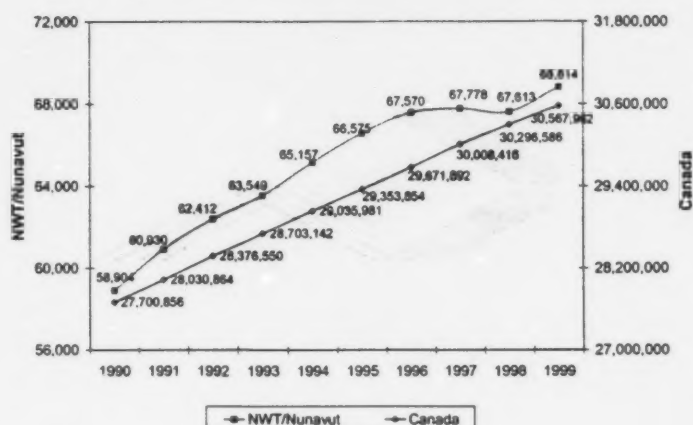


Figure A.2 Annual Estimates of Net Migration in NWT/Nunavut

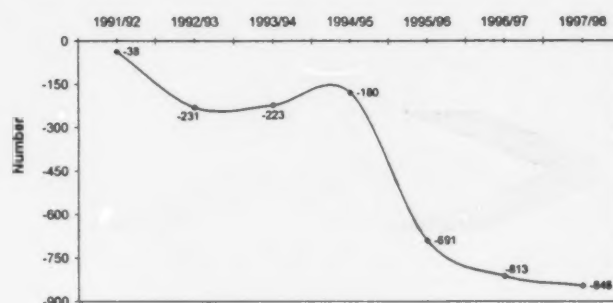
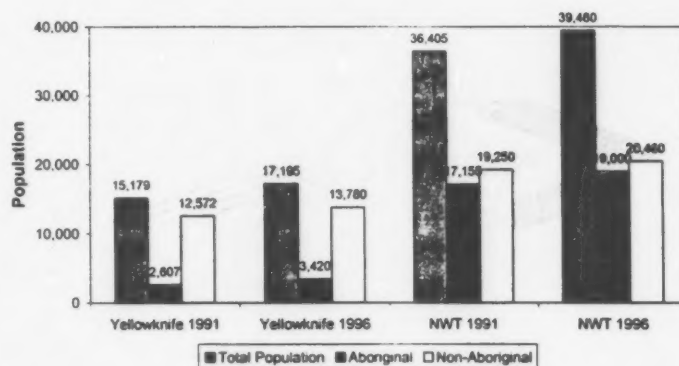


Figure A.3 Population by Ethnicity in Yellowknife and NWT



Historically, people migrate to the urban areas in the NWT/Nunavut. In Yellowknife, for example, the population's share in the NWT increased from 41.7% in 1991 to 43.6% in 1996. The number of both Aboriginal and non-Aboriginal people in the city increased and the people stayed for a longer period of time (Figure A.3).

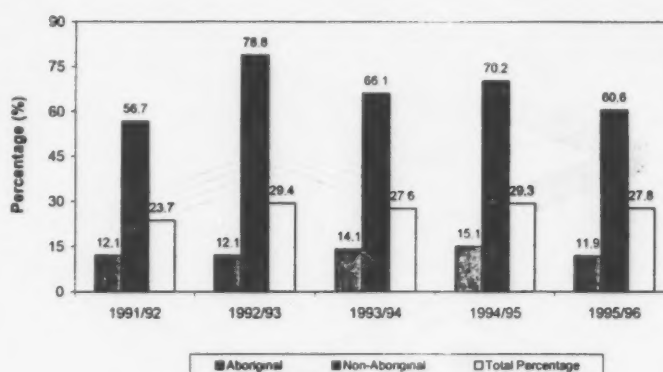
Education

Knowledge and skills are necessities in today's world, and essential for Aboriginal people in the NWT/Nunavut to attain them through education. Society rewards individuals who are proficient with employment opportunities, job success and active participation in the community. The research estimates that two thirds of new jobs in the future will require more than 17 years of education².

There have been substantial improvements in the educational levels of the territorial population, even though overall public school enrollments leveled off in 1996/97 (school year) after increasing steadily between 1991/92 and 1995/96 (Table A.1). Both the territorial number of graduates of grade 12 and graduates as a percentage of the public school enrollments have improved from 1991/92 to 1994/95. The number of grade 12 graduates as a percentage of 18 years old increased in the NWT/Nunavut from 23.7% in 1991/92 to 27.8% in 1995/96 (Figure A.4).

Education levels among the Aboriginal population still lag behind the territorial average. The number of Aboriginal grade 12 graduates from 1991/92 to 1995/96 was 471–26% of the total graduates. In 1994/95, the number of Aboriginal graduates reached its highest level of 105 (Table A.2). In 1995/96, both the number of Aboriginal and non-Aboriginal graduates decreased. The increased availability of employment training programs, which often include wages, may be responsible for this decrease.

Figure A.4 Grade 12 Graduates as a Percentage of Aged 18 by Ethnicity in NWT/Nunavut



² National Literacy Secretariat. "Creating a Learning Culture: Work and Literacy in the Nineties". Ottawa: Ministry of Supply and Services, 1990.

Table A.1 Public School Enrollments in NWT/Nunavut
(1991/92 – 1996/97)

School Year	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97
Enrollments	14,940	15,621	16,252	16,617	17,470	17,378

Source: INAC. *Northern Indicators*, Winter 1997, p.13

Table A.2 Graduates of Grade 12 by Ethnicity in NWT/Nunavut
(1991/92 – 1995/96)

School Year	1991/92	1992/93	1993/94	1994/95	1995/96
Aboriginal	85	85	99	105	97
Non-Aboriginal	224	278	261	277	263
Total Graduates	309	363	360	382	360
% as Enrollments	2.07	2.32	2.22	2.23	2.06

Source: INAC. *Northern Indicators*, Winter 1997, P.13

B. Employment and Unemployment

In the NWT/Nunavut, annual employment levels increased by 230 jobs (0.9%) in 1997, 1345 jobs (5.7%) in 1996, and 1157 jobs (5.2%) in 1995 (Figure A.5). In 1999, the NWT had a higher employment rate at 67.5% than Canada's rate at 59%. Participation in the labor market³ was also higher, with a participation rate of 78.3%, while Canada was at 64.5% (Figure A.6).

³ In this section, *labor force* in the labor market refers to persons 15 years of age and older who, during the reference period, were employed or unemployed. *Employed* persons are those who, during the reference period, did any work at all, or had a job but were not at work. *Employment rate* (formerly the employment/population ratio) represents the number of persons employed expressed as a percentage of the population 15 years of age and older. *Unemployment rate* represents the number of unemployed persons expressed as a percentage of labor force. *Participation rate* represents the labor force expressed as a percentage of the population 15 years of age and older (Statistics Canada. Historical Labor Force Statistics, 1999. Catalogue No: 71-201-XPB).

Employment

In the NWT, the employment rate between 1989 and 1999 shows a relatively stable pattern. The data show that improvements in employment conditions among Aboriginal people are apparent over time. In 1989, 41.8% of Aboriginal persons 15 years and older were employed, but 47.9% were employed in 1999 (Table A.3). Aboriginal employment rates have consistently been the highest in Yellowknife, followed by Hay River, Fort Smith and Inuvik, then the rest of the communities (Table A.4).

Figure A.5 Total Employment in NWT/Nunavut

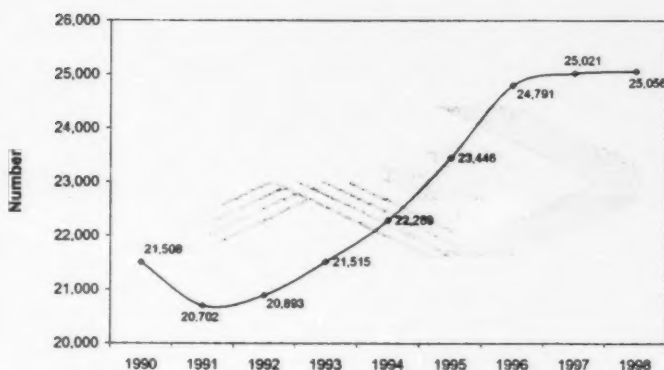


Figure A.6 Comparisons of labor Force Use in NWT/Nunavut and Canada in 1999

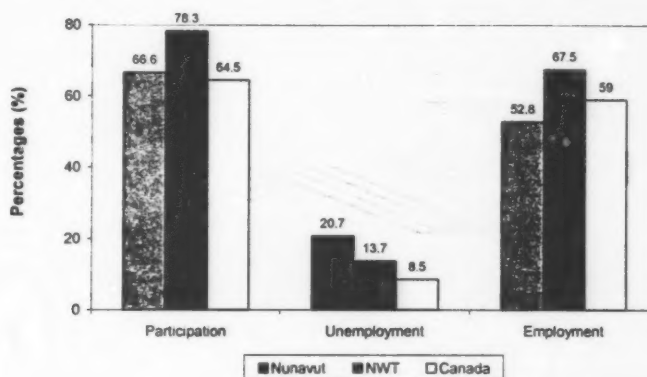


Table A.3 Employment Rate by Ethnicity in NWT (%)

Year	1989	1991	1994	1996	1999
Aboriginal	41.8	48.2	42.1	48.5	47.9
Non-Aboriginal	83.1	85.3	83.6	83.2	84.1
All Persons	65	69.3	65.7	68.2	67.5

Source: 1999 Labor Force Survey, NWT Bureau of Statistics.

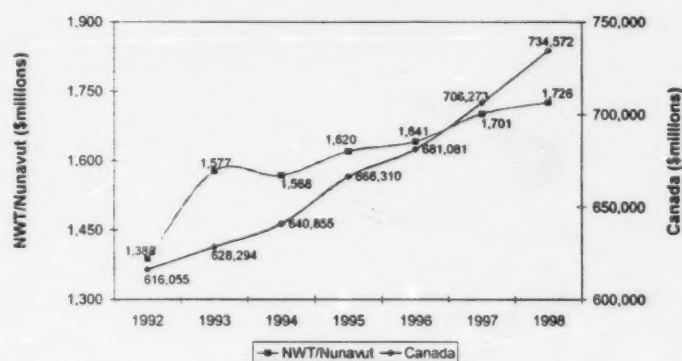
Table A.4 Aboriginal Employment Rate by Community in NWT (%)

Year	1989	1991	1994	1996	1999
Yellowknife	71.2	58.8	63.6	60.1	59.2
Hay River, Fort Smith, Inuvik	53.3	52.8	47.9	54.1	57.4
Rest of the communities	31.6	40.2	34.5	42.7	40.3

Source: 1999 Labor Force Survey, NWT Bureau of Statistics.

Total personal income⁴ in the NWT/Nunavut increased from 1994 to 1998. Particularly, there was a big increase in personal income in NWT/Nunavut in 1998, as government transfer payments might be the major contributor to this growth. The high government transfer levels reflect the federal government's payment to beneficiaries under the Nunavut Land Claims Agreement. There was a slight growth in personal income between 1994 and 1998. By comparison, personal income in Canada increased consistently from 1992 to 1998 (Figure A.7).

Figure A.7 Personal Income in NWT/Nunavut and Canada



There had been a gap of total average income between Aboriginal and non-Aboriginal people in the NWT/Nunavut. The gap might be attributed to high levels of employment income⁵ for non-Aboriginal people (Table A.5).

⁴ According to Statistics Canada, personal income refers to "the sum of all incomes received by persons residing in Canada, whether factor earnings from current production or current transfers from other sectors, plus the investment income that associations of individuals accumulate on their own behalf or on behalf of persons" (Statistics Canada, National Economic and Financial Accounts, Third Quarter, 1997).

⁵ According to Statistics Canada, employment income refers to "a total income received by persons 15 years of age and older during a certain period as wages and salaries, net income from non-farm unincorporated business and/or professional practice and net farm self-employment income." (Statistics Canada, 1996 Census Dictionary, Final Edition Reference, August 1999).

Table A.5 Average Personal Income in NWT/Nunavut (\$)

Year	1985	1990
Aboriginal	12,376	16,151
Non-Aboriginal	27,123	38,028

Source: Basic Departmental Data, INAC.1997

Unemployment

Since the recession of the early 1990s, the rates of unemployment have slowly changed in Canada. However, there are large differences in different parts of the country and among different groups. One third of Canadian workers believe that their skills are already obsolete and almost 40% believe that their skills will become obsolete within ten years.⁶

Table A.6 Aboriginal Unemployment Rate by Community in NWT

Year	1989	1991	1994	1996	1999
Yellowknife	8.9	18.1	17.2	14.7	17.5
Hay River, Fort Smith, Inuvik	21.0	20.3	28.8	20.1	17.6
Rest of the communities	38.7	31.3	38.6	27.7	34.5

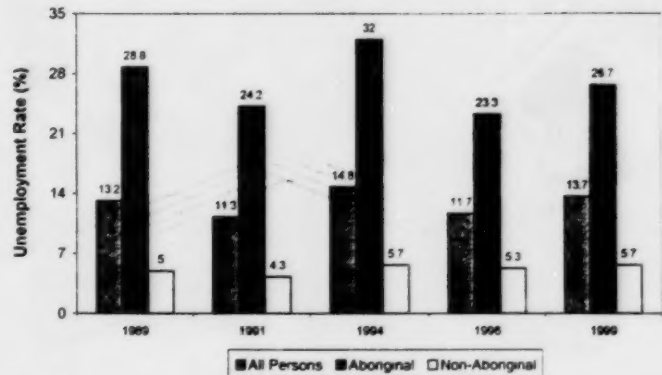
Source: 1999 Labor Force Survey, NWT Bureau of Statistics.

Although the high rates of participation in the NWT were apparent, the unemployment rate was also higher than Canada's rate for comparable periods. In 1999, the unemployment rates in the NWT and Nunavut

⁶ EKOS Research Associates. "What Does Workplace Change Mean for Different Segments of the Canadian Labor Market?" EKOS, Ottawa. 1995.

were 13.7% and 20.7% respectively, while it was 8.5% in Canada. From 1989 to 1999, the average unemployment rate in the NWT for Aboriginal people was 27% compared to 5.2% for non-Aboriginal people (the average employment rate in the NWT was 12.94%). By community, Yellowknife had the lowest Aboriginal unemployment rate, followed by Hay River, Fort Smith and Inuvik. The rest of the communities had high unemployment rate (Table A.6). Although improving, there is still a significant difference in unemployment rates between Aboriginal and non-Aboriginal people in the NWT (Figure A.8).

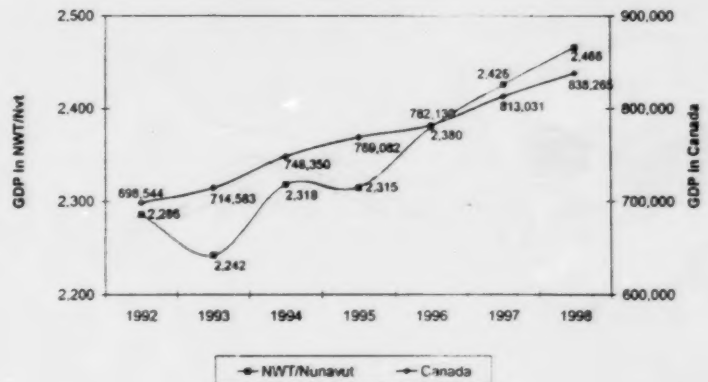
Figure A.8 Unemployment Rates by Ethnicity in NWT



C. Gross Domestic Product and Consumer Price Index

The Consumer Price Index (CPI) indicators measure rates of change in consumer prices for an urban center or Canada as a whole from a base period for which the index is set to 100⁷. Gross Domestic Product (GDP) is a summary statistic that describes the value of all economic activity for a specific location or sector. In this section, GDP refers to the total unduplicated value of the goods and services produced in the economic territory of a country or region during a given period.

Figure A.9 Real GDP Growth in NWT/Nunavut and Canada



Gross Domestic Product (GDP)

There are two ways to compare GDP: either current (nominal) dollars, or constant (real) dollars. Movements in GDP at constant prices reflect changes only in the quantities of goods and services

⁷ INAC. *Northern Indicators*, Winter 1997. p.52

produced, not changes in their prices. Thus, an estimated GDP in constant dollars in the NWT/Nunavut removes the impact of price changes and better reflects changes in the economy of the territories (Figure A.9).

The growth rate in the NWT/Nunavut decreased between 1996 and 1998 due to the impacts of mine shutdowns and the closure of the refinery at Norman Wells in late 1996 (Table A.7). In the NWT/Nunavut, the GDP at factor cost⁸ was \$2.5 billion in 1997, and \$2.4 billion in 1996. Income from salaries, wages and supplementary labor income was consistently the largest component of the territorial GDP at factor cost. In 1997, the total value of this income was \$1.5 billion—almost five times the economic output from corporate profits. From 1990 to 1997, the economic output from labor income grew 33%, while output from corporate profits dropped 23% (Figure A.10).

Figure A.10 GDP at Factor Cost and Major Components in NWT/Nunavut

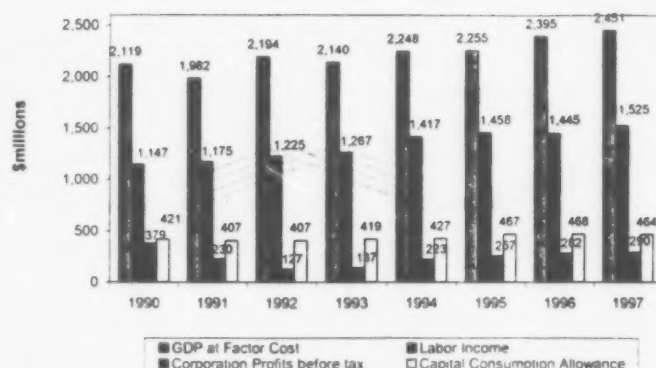


Table A.7 GDP Growth Rate in NWT/Nunavut & Canada (1992 \$millions)

Year	1993	1994	1995	1996	1997	1998
NWT/Nunavut	-1.9	3.4	-0.1	2.8	1.9	1.6
Canada	2.3	4.7	2.8	1.7	4.0	3.1

Source: NWT Bureau of Statistics, 1999

⁸ Besides the three components shown in the Figure A.10, the GDP at factor cost also includes interest and miscellaneous investment income, net income of non-farm unincorporated business with rent and inventory valuation adjustment.

Consumer Price Index (CPI)

Since 1991, increases in consumer price have been almost equivalent in Canada and Yellowknife. However, the cost of living was higher in small communities in the Territories than southern Canadian cities. From 1991 to 1998, the increase in consumer prices was slightly lower in Yellowknife—at about 9%—than across Canada, where the consumer prices increased by 10%. However, the consumer price levels in Yellowknife were higher than the Canada-wide levels between 1993 and 1996. From 1996 to 1998, the three-year increase in consumer prices was much lower in Yellowknife (at 1.6%) than across Canada, where consumer prices increased by 4.1% (Figure A.11). In 1997, the price index of living cost differentials of some communities in the NWT ranged from a minimum of 125 (Hay River compared to Edmonton) to a maximum of 215 (Colville Lake compared to Edmonton) (Table A.8).

Figure A.11 Inflation Rates in Yellowknife and Canada

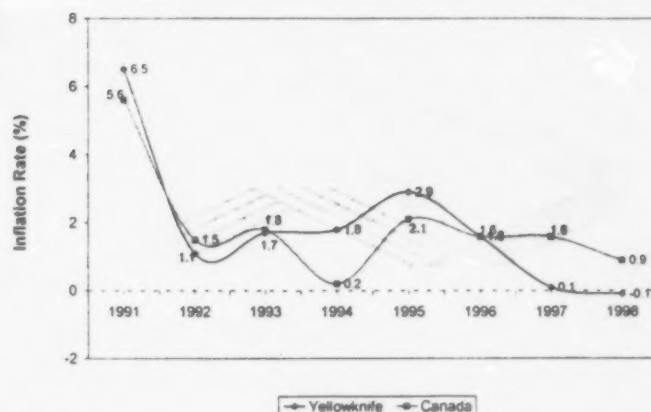


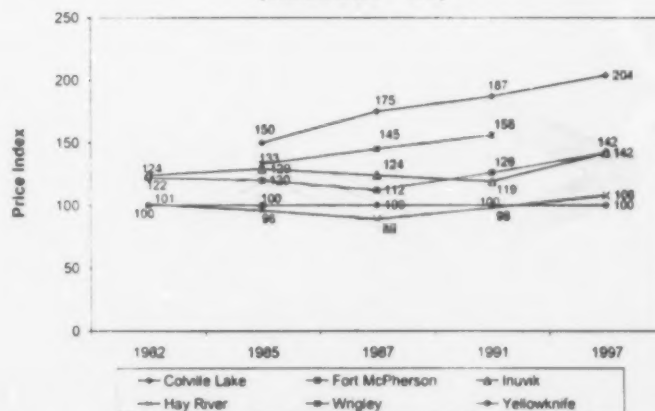
Table A.8 Living Cost Differentials in NWT in 1997 (Edmonton=100)

Colville Lake	210-215	Wrigley	150-155
Inuvik	155-160	Hay River	125-130

Source: NWT Bureau of Statistics 1999

From 1993 to 1997, the cost of food in Yellowknife increased by 7.0% but only 5.8% in Canada. During the same period, the cost of energy increased 18.6% in Yellowknife, but only 7.0% in Canada. Taking Yellowknife's food prices as a base, the estimates of price indexes show that in 1997 Colville Lake had a food index (maximum) of 204, while Hay

Figure A.12 Comparisons in Food Prices in NWT (Yellowknife = 100)



River had a food index (minimum) of 108 (Figure A.12). From 1985 to 1997, while food prices in Hay River increased 12.5%, the food prices in Colville Lake increased 36%.

Retail Sales

Retail sale is a measure of consumer's confidence in the economy. The NWT/Nunavut experienced positive growth in retail sales since 1991. Retail trade increased from \$357 million in 1991 to over \$500 million in 1998. From 1993 to 1997, the dollar value of retail sales across Canada increased 22%. This growth was exceeded in the NWT/Nunavut, where the value of retail sales increased 26% (Figure A.13).

Retail sales per capita have been lower in the NWT/Nunavut, although the difference in per capita sales between the NWT/Nunavut and Canada as a whole is not large. Per capita sales in Canada had continuously exceeded those of the NWT/Nunavut between 1993 and 1998 although retail sales per capita in the NWT/Nunavut had continuously increased during the period (Table A.9).

Figure A.13 Retail Sales in NWT/Nunavut and Canada

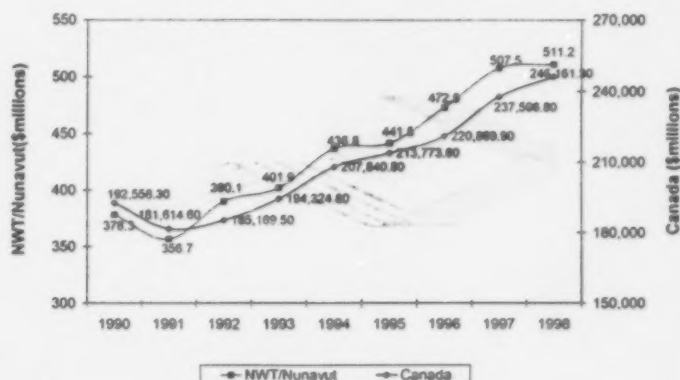


Table A.9 Retail Sales per Capita in NWT/Nunavut & Canada
(\$ thousands)

Year	1993	1994	1995	1996	1997	1998
NWT/Nunavut	6.3	6.7	6.6	7.0	7.5	7.6
Canada	6.8	7.2	7.3	7.4	7.9	8.1

Source: Northern Indicators, 2000. INAC.

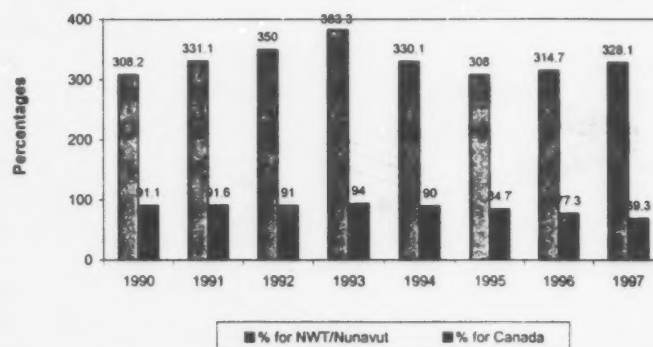
D. Finance and Investment

This section provides a financial perspective in the NWT/Nunavut since 1990⁹. It includes the federal revenues and expenditures, and public and private capital investments. In a general view, over the past few years, compared to the 1993 level, the federal government expenditures have leveled off or even decreased as the responsibilities for provincial-type programs have been transferred to the territorial governments.

Public Finance

Federal expenditures on the NWT/Nunavut, as a percentage of the revenues, are substantially higher than in Canada as a whole. Since 1990, federal expenditures in the NWT/Nunavut have accounted for more than three times the average revenues from the territories. During the same period, federal expenditures in Canada averaged about 90% of the average revenues of the federal government (Figure A.14).

Figure A.14 Federal Expenditures as a Percentage of Revenues for NWT/Nunavut and Canada



In 1991, federal expenditures in the NWT/Nunavut were \$1,490 million. The expenditures were still large in 1993 at 1,476 million, which may be a result of higher expenditures from the government of the NWT as responsibilities for provincial-type programs were transferred to the territorial governments. In general, the federal expenditures in the NWT/Nunavut decreased each year from 1991 to 1995 except for 1993. This downward trend from the peak in 1991 has continued as a result of reduction in some of transfer of provincial-type programs. The devolution of federal-departmental programs, such as the construction of the airports from Transport Canada, may have had an impact on the federal expenditure reductions over the years (Table A.10).

⁹ In this section, the data of the federal expenditures exclude interest on the public debt, but include transfers to the territories (Northern Indicators, winter 1997, p. 59). Public and private investments refer to public and private capital investments.

Table A.10 Federal Expenditures in NWT/Nunavut (\$millions)

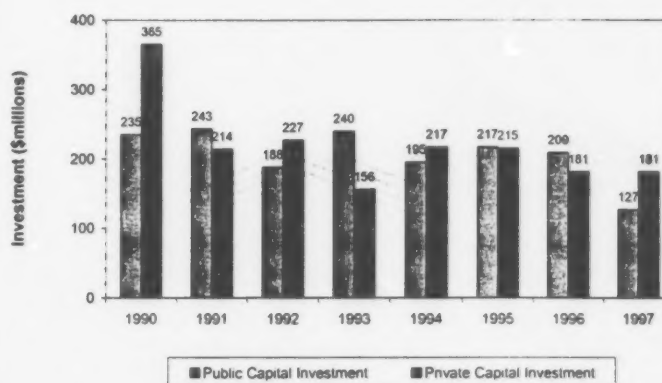
Year	1990	1991	1992	1993	1994	1995	1996	1997
Expenditure	1,273	1,490	1,267	1,476	1,347	1,278	1,325	1,342
Revenue	413	450	362	385	408	415	421	409

Source: Northern Indicators, 2000. INAC.

Public and Private Capital Investments

Public capital investment in the NWT/Nunavut decreased 3.7% in 1996 compared to 1995. In 1997, it was 39.2% lower than 1996. Historically, the levels of total private investment in the NWT/Nunavut have been greater than total public investments. The magnitude of the differences between private and public investments, however, has steadily diminished, and the 1991 level of public investments exceeded the same year level of private investments for the first time¹⁰. Private capital investment in the NWT/Nunavut dropped since 1990. The 1990 high level of private capital investments dropped sharply in 1993 when it reached a low of \$156 million (Figure A.15). Recovery in private capital investment has been slow. Private capital investment levels increased in 1994, but decreased 0.9% and 15.8% in 1995 and 1996 respectively and remained constant in 1997.

Figure A.15 Public and Private Capital Investments in NWT/Nunavut



¹⁰ Northern Indicators, winter 1997. INAC. p.30

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APPENDIX B

Geographic Distribution of Aboriginal Co-operatives in Canada



FIGURE B1 A MAP OF CANADIAN ABORIGINAL COOPERATIVES





CO-OPERATIVES SECRETARIAT PUBLICATIONS

Data - Statistics

Co-operatives in Canada/ *Les coopératives au Canada* (Annual/Annuelle)

Top 50 Canadian Co-operatives (Annual)

Les 50 plus importantes coopératives au Canada (Annuelle)

Canadian Co-operatives Resource File (Annual)

Les coopératives canadiennes – Dossier d'information (Annuelle)

Research

Socio-Economic Profile of Aboriginal Co-operatives in Canada (2001)

Profil socio-économique des coopératives autochtones au Canada (2001).

Co-operative Development and the State : Case Studies and Analysis. Parts One and Two; Summary, Observations and Conclusions (2000)

Le développement des coopératives et l'État : Études de cas et analyse. Parties I et II; Résumé, observations et conclusions (2000)

Survival Rate of Co-operatives in Quebec (2000)

Taux de survie des entreprises coopératives au Québec (2000)

Profile of Canadian Agri-Food Co-operatives 1986-1996 (2000)

Profil des coopératives agroalimentaires canadiennes 1986-1996 (2000)

Historical Overview of the Co-operative Movement in French Canada 1850-2000 (1999)

Aperçu historique du mouvement coopératif au Canada français 1850-2000 (1999)

Geographic Distribution of Non-Financial Co-operatives in Canada: A Rural-Urban Perspective (1998)

Répartition géographique des coopératives non financières au Canada : Perspective rurale-urbaine (1998)

Other

Government Directory/ *Répertoire gouvernemental (Annual/Annuelle)*

Co-operatives – Improving the Quality of Life for Canadians (2001)

Les coopératives et l'amélioration de la qualité de vie des Canadiens et des Canadiennes (2001)

Worker Co-operative Success Stories (2000)

Histoires à succès des coopératives de travail (2000)

Health Care Co-operatives – Startup Guide (1999)*

Guide pour le démarrage de coopératives dans le secteur de la santé (1999)

Co-operatives – The Alternative Solution (1999)

Coopératives – La solution de rechange (1999)

Forming our Co-operative: Information Kit For Entrepreneurs (by province) (1999)

Créer notre coopérative : Trousse d'information pour les groupes entrepreneurs (par province) (1999)

Co-operative Success Stories 2nd edition (1996)

Histoires à succès des coopératives 2^e édition (1996)

Co-operative Success Stories (1995)

Histoires à succès des coopératives (1995)

NB:

Most of the publications are available on the internet at:

<http://www.agr.ca/policy/coop/accueil.html>